

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

Chairperson
Mr. James Teitsma
Constituency of Radisson

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MANITOBA LEGISLATIVE ASSEMBLY
Forty-Second Legislature

Member	Constituency	Political Affiliation
AL TOMARE, Nello	Transcona	NDP
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BUSHIE, Ian	Keewatinook	NDP
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS

Thursday, January 12, 2023

TIME – 12 p.m.

LOCATION – *Winnipeg, Manitoba*

CHAIRPERSON – *Mr. James Teitsma (Radisson)*

VICE-CHAIRPERSON – *Mr. Andrew Micklefield (Rossmere)*

ATTENDANCE – 6 **QUORUM** – 4

Members of the committee present:

Hon. Messrs. Friesen, Helwer

Messrs. Micklefield, Sala, Teitsma, Wasyliw

APPEARING:

Mr. Dougald Lamont, MLA for St. Boniface

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

Mr. Edward Kennedy, Chairperson, Manitoba Hydro-Electric Board

MATTERS UNDER CONSIDERATION:

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2022

* * *

Clerk Assistant (Mr. Tim Abbott): Good afternoon, everyone. Will the Standing Committee on Crown Corporations please come to order.

Before the committee can proceed with the business before it, we need to elect a Chairperson.

Are there any nominations?

Hon. Reg Helwer (Minister of Labour, Consumer Protection and Government Services): I nominate MLA Teitsma.

Clerk Assistant: Mr. Teitsma has been nominated. Thank you very much.

Are there any other nominations?

Hearing none, Mr. Teitsma, please take the Chair.

Mr. Chairperson: Our next item of business is the election of a Vice-Chairperson.

Are there any nominations?

Mr. Helwer: I nominate MLA Micklefield.

Mr. Chairperson: MLA Micklefield has been nominated. Are there any other nominations?

Hearing no other nominations, MLA Micklefield is elected Vice-Chairperson.

This meeting has been called to consider the Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31st, 2022.

Before we get started, I'd like to remind everyone that questions and comments should be put through the Chair.

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

Mr. Adrien Sala (St. James): –hours.

Mr. Chairperson: It has been suggested that the committee sit for three hours.

Is that agreed? [*Agreed*]

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

Hon. Cameron Friesen (Minister responsible for Manitoba Hydro): As the Minister responsible for Manitoba Hydro, I am here today along with senior officials from Manitoba Hydro to present, for your approval, the annual report of the corporation for the fiscal year that ends March 31, 2022.

I also would like to, at this time, welcome the following members of the corporation's board and executive who are joining us virtually: first, Edward Kennedy, chair of the Manitoba Hydro-Electric Board; next, Jay Grewal, president and chief executive officer; and then Aurel Tess, chief financial officer.

I also want to, at this time, indicate that in the room today we also have Ryan Klos, who is the ADM, the assistant deputy minister for Central Finance, acting today also as the acting deputy minister for Finance. We have Rob Marrese, who is the executive director in the Crown's secretariat, which resides within Manitoba Finance; and also Jim Crone, who is senior adviser in the Crown's secretariat.

We welcome all these individuals to the meeting this afternoon.

I want to simply indicate in advance of the discussions and deliberations this afternoon that Manitoba Hydro is one of our most important Crown corporations. It is one of the most important companies in Manitoba. It has the critical role of supplying electricity and natural gas needs of Manitobans. It helps to drive our economy. It maintains our quality of life. It is our government's priority to stabilize and strengthen Manitoba Hydro for the benefit of future generations.

* (12:10)

We have made important changes to protect the long-term sustainability of Manitoba Hydro. And the government's significant reduction in the Crown corporation's annual payments of provincial fees to redirect funds to debt reduction, that is ensuring that hydro rates will remain among the lowest in the country for Manitoba ratepayers for years to come.

I am engaged with the chair of Manitoba Hydro-Electric Board along with the corporation's executive on a regular basis, and I'm confident that the corporation is focused on its critical core business, improving its financial health and delivering on its commitment to maximize the benefit of Manitoba's clean, dependable energy and keep costs as low as possible.

Jay Grewal is now ready to make opening remarks and, along with the chair of the Manitoba Hydro-Electric Board, to respond to questions relative to the board's—or, to the corporation's operations, as well as the board's mandate.

I would be pleased to respond to any questions that involve government policy this afternoon. We look forward to the discussions this afternoon.

Thank you, Mr. Chair.

Mr. Chairperson: We thank the honourable minister.

Does the official opposition critic have an opening statement?

Mr. Sala: Thank you to the members of this committee and the staff of Manitoba Hydro for the work that you do. We believe Manitobans should be proud of the great work and value of our most important Crown corporation, Hydro. And we believe Hydro needs to be protected against the interference and undermining that we've seen from this current PC government.

We know it's been a difficult few years for Hydro's employees, and we thank them for their work during the pandemic and through trying times, including strikes caused by the actions of this minister and the entire PC government.

We know we've lost—we've also lost visionaries who helped build Hydro into the lasting jewel it is today, in spite of the current government's actions; most notably, former president and CEO Bob Brennan. We offer our sincerest condolences to his family and to his friends.

We're committed to building and investing in Hydro for the future, and that means a Hydro that's forward-looking, where rates are kept affordable for regular families. It also means Hydro remains whole and wholly owned by the public, instead of being broken up and sold off to the highest bidder.

We believe the current government's agenda of privatization is wrong and will only take away control of Hydro from the people of Manitoba while leading to rate hikes and reduced reliability. And that's why it's so important this committee do its work to hold Hydro and the government accountable, so that we protect this most important of Crown corporations.

Thank you.

Mr. Chairperson: We thank the member.

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

Ms. Grewal—I believe you may be muted, Ms. Grewal.

Ms. Jay Grewal (President and Chief Executive Officer, Manitoba Hydro): Good afternoon. I'm pleased to appear before the Standing Committee on Crown Corporations to answer your questions about the past year at Manitoba Hydro. It's a pleasure to be here in person again, though we are virtual, as we have been for the past two years, due to COVID.

Before I continue, as is our practice at Manitoba Hydro, I'd like to do a land and territorial acknowledgement.

We join you today from Treaty 1 territory and the homeland of the Métis nation, where Manitoba Hydro has a presence across this province on Treaty 1, Treaty 2, Treaty 3, Treaty 4 and Treaty 5 lands, the original territories of the Anishinaabe, Cree, Oji-Cree, Dakota and Dene peoples, and the homeland of the Métis nation. We acknowledge these lands and pay our respects to the ancestors of these territories.

The legacy of the past remains a strong influence on Manitoba Hydro's relationship with Indigenous communities today. We remain committed to establishing and maintaining strong, mutually beneficial relationships with Indigenous communities.

Before I answer your questions, I would like to give you a brief overview of the past year at Manitoba Hydro. As you know, we had one of the worst droughts on record in the '21-22 fiscal year. Water inflows from southern portions of the watershed supplying our generating stations were well below normal, the lowest in over 40 years at some locations. This reduction in water flows severely impacted our ability to generate electricity.

While service to domestic customers was never in danger, thanks to our interconnections to the neighbouring wholesale markets that allowed us to import energy as required during peak demand periods, the drought did hurt our ability to sell surplus electricity on the export market.

As a reduction of—as a result of that reduction of export opportunity or spot market sales, as well as increased imports to support peak demand, we experienced a \$248-million loss last year, and that's outlined in our most recent annual report. This loss required us to borrow funds in order to meet the needs of our customers and did result in us applying for and receiving, from the Public Utilities Board, an interim rate increase of 3.6 per cent that was effective January 1, 2022 to help deal with the impact of this once-in-40-year drought.

Then this past spring, we saw a complete reversal. We had some of the highest water flows on record, particularly on the Winnipeg River, Lake Winnipeg and Nelson River, due to melting of an extremely heavy snowpack in northwestern Ontario and a series of torrential snow and rain storms that moved across our watershed in March and April.

To give you an idea of how much precipitation we received in late winter and spring last year, Lake Winnipeg rose five feet in four months, between March and July 2022, which is when it hit its peak. That's the fastest rise on record since the early 1900s.

This year, with so much water in the system, we're projecting a net income of \$559 million. That's a swing of \$807 million from one fiscal year to the next. While good news for both Manitoba Hydro and our customers, that swing shows just how vulnerable we are as a hydroelectric utility to drought, prices on the

opportunity export markets and other factors completely outside our control.

It also shows that, despite the year we're experiencing now, with predictable high water levels and good export prices, regular, predictable rate increases are needed to guard against that volatility. Regular, predictable rate increases also help us mitigate the risk we face from increasing interest rates, fluctuating export market spot prices and the chance of higher rate increases, should we experience a multi-year drought.

We recently applied to the PUB requesting a reduced electricity rate increase to 2 per cent in each of the fiscal years of '23-24 and '24-25, and these—this 2 per cent is well below the current rate of inflation, as noted in our general rate application, where we have also asked the PUB for confirmation of the interim 3.6 per cent rate increase that was approved in January 2022 that is to help counter the effects of last year's drought.

Now, in our initial general rate application filing, we had requested 3.5 per cent in each of the two fiscal years. Why did we refile? What changed? Why did we reduce our rate request from the 3.5 to 2 per cent? We lowered our request because of the announcement in November by the Manitoba government to reduce half of what it collects from Manitoba Hydro annually in both provincial debt guarantee fees and water rental payments.

This announcement not only helps our customers by making lower rates possible for the foreseeable future at a time of high inflation, it also helps that—make Manitoba Hydro financially stronger as we look towards the future, giving us the financial strength and resources to handle future droughts, increasing interest rates and other factors we cannot predict or control.

I want to emphasize the compounding effect of these savings from reduced payments to government, meaning we now forecast annual rate increases of only 2 per cent for the next 19 years, starting in '23-24. That will save Manitobans, our customers, an estimated \$4 billion over the next 20 years.

* (12:20)

It also gives us the ability to start to reduce our \$24 billion in debt. That will reduce interest costs, giving us the flexibility to continue making valuable investments in our system so our customers get the service they expect and we commit to. Without the reduction announced by the government and regular predictable rate increases, our capacity to reinvest in

our system would be limited, and that would result in less reliable service for customers, and our customers have told us through various surveys, the first priority they want from Manitoba Hydro is to ensure reliability.

Some of our assets, like the Pointe du Bois Generating Station, were built more than 100 years ago and they need to be updated, rehabilitated, and that needs to happen now. And, as some of you know, three Manitoba Hydro communities are amongst the fastest growing municipalities in the country: Niverville, West St. Paul and Neepawa. Our customers in these and other communities need Manitoba Hydro to be there to install new poles and cables, new street lights and build new substations so they have the electricity they need so they can keep growing in the future. And we need the financial resources to continue to maintain, 'rehabilitate' and, in many cases, replace our aging infrastructure, much of which was installed in the '40s, '50s and '60s and is nearing the end of its service life.

On that note, since I joined Manitoba Hydro four years ago this month, I've been focused on the future and what Manitoba Hydro needs to be doing to navigate the rapidly changing energy landscape so we can ensure reliable, affordable electricity and natural gas, not just today but into the future.

As I discussed with you a year ago, Strategy 2040, our long-term strategic plan, sets out how Manitoba Hydro can deliver on this commitment by maximizing the benefit of Manitoba's clean, dependable energy, keeping costs as low as possible while providing the level of service Manitobans have told us they want and expect.

Simply put, Strategy 2040 underpins how Manitoba Hydro will serve our customers not just today but power a bright future for all Manitobans. Essentially, we need to build a new kind of relationship with our 'customers;' one of a trusted adviser helping our customers understand the changing energy landscape and the new options and choices it presents them with. Much of the work Manitoba Hydro has taken on over the past year is tied directly to this strategy.

One of our biggest projects is the development of our first-ever integrated resource plan, or our IRP. The IRP will be a foundational plan that will guide the actions we take—

Mr. Chairperson: Just one moment, please, Ms. Grewal. You're only allotted 10 minutes for your

opening statement, but perhaps someone would ask for leave—and that has been asked.

Is there leave to allow the CEO to complete her opening statement? *[Agreed]*

Please proceed, Ms. Grewal.

Ms. Grewal: The IRP will be a foundational plan that will guide the actions we take and investments we will make to meet the energy needs of our customers in the future. Our IRP includes input from thousands of customers and interested parties across Manitoba and it also includes research available on future energy resources as well as trends being seen in the energy sector worldwide.

When completed later this year, our IRP will ensure the plans we make and act on are reflected not only of the input we gained from our customers and other stakeholders but are also understood and firmly rooted in a practical reality today and in the years to come.

I also want to give you a quick update on the Keeyask project, the largest capital project ever undertaken by Manitoba Hydro. The seventh and final generating unit at Keeyask was released for service on March 2022. All Keeyask generators, all seven, are delivering clean, renewable energy—dependable energy—to Manitobans and will do that for decades to come.

These units came into service five months ahead of schedule and the project is trending towards being completed approximately half a billion below the control budget of \$8.7 billion, which was set in 2017. And this is despite almost two years of pandemic, health and travel restrictions.

The project, following the partnership model established with Wuskwatim, ensures that communities impacted by the project will derive ongoing and lasting benefit. This is in addition to the tens of millions of dollars of benefits in employment, training and contracts that First Nation communities received over the construction life of the project.

The work at Keeyask now enters a phase with final work on ancillary systems in the powerhouse, which are under way, along with demobilization of the camp facilities and the continuation of work on environmental rehabilitation and remediation of the sites affected by the construction. We are estimating the project will take another 12 to 18 months before it will be complete.

Finally, I would be remiss if I did not acknowledge the dedication and contribution of our dedicated employees over the past year. As always, our front-line electric and gas employees continue to provide an essential service to all Manitobans, often in bad weather conditions like rain and blowing snow, and challenging circumstances like rebuilding a remote power lab—power line damaged by a forest fire in the summer of 2022.

Our office employees began returning to the office in May after almost two full years of working from home. We have adapted to a hybrid model, offering the choice for certain roles of working from home Mondays and Wednesdays where technically and operationally feasible. It's an important option in a post-pandemic world where employee retention is critical to all organizations.

I am very proud to be a member of Manitoba Hydro and the employees of Manitoba Hydro. Each one has adapted to new work methods and techniques in the field. We've all learned to work in a virtual environment and in a hybrid model without it affecting our commitment to our customers and the entire province, and I thank all of them.

Finally, I thank the members of the committee for your time and allowing me additional minutes to finish my opening remarks, and I look forward to your questions.

Mr. Chairperson: Thank you, Ms. Grewal.

The floor is now open for questions.

Mr. Sala: Thank you, Ms. Grewal, for your opening statement. I just want to start by asking where you're coming to us from?

Ms. Grewal: Mr. Chair, I'm coming to you from the boardroom of Manitoba Hydro at 360 Portage Ave. in Winnipeg.

Mr. Sala: And was there anything obstructing the CEO's ability to participate in person today?

Ms. Grewal: Mr. Chair, though I don't like to share my personal circumstances publicly, I have torn my ACL and am wearing a knee brace, and have been advised to stay off my leg and keep my leg elevated and iced. But I did come into the office to ensure we have the connectivity which would not negatively impact my participation in standing committee.

Mr. Sala: Thank you for sharing that, and I'm sorry to hear about the injury. Hopefully, you recover very soon.

We're going to start by diving right into some questions about operating expenses. And looking at page 57 of the annual report, it states that Hydro's overall operating and administrative costs went up from \$608 million in 2021 to \$660 million in 2022, which is about a \$52-million or 8.5 per cent increase in operating and admin expenses year over year.

I'm hoping the CEO can share what the biggest portion of those new operating and administrative costs are comprised of.

Ms. Grewal: Mr. Chair, I'm happy to speak to that. So, in the increase in our O&A costs, as we've shared in the past, the primary component of our O&A costs is staffing levels. But the increase that we're speaking to, there were two drivers for that change.

* (12:30)

The first driver is our FTE. Manitoba Hydro is currently at a FTE of 25 per cent below what it was in 2016 and 2017, which is a reduction of almost 1,500 FTEs. The main drivers for the reduction in the FTEs are three: firstly, the voluntary departure program where we reduced the number of employees by 15 per cent and then the per cent of management by 22 per cent; secondly, the pandemic-related hiring slowdown, where we did not hire any new employees for at least a year; and, thirdly, higher levels of attrition coming out of the pandemic.

So, in terms of the FTEs, we are focused on building back up the front line, particularly operations, firstly, to ensure we meet customer in-service date, because there is—the increase in days has gone up, particularly for our developers, large industrials and telecoms. Our service level there has deteriorated. And, secondly, our ability to execute and meet maintenance schedules for our aging assets has also been impacted. So we're focused on increasing the number of the FTEs.

The FTE increase is only a—is a large portion of the increase we're talking about, but the other change that you're seeing is an accounting change, which counts for approximately 4 per cent of the increase. And that accounting change relates to technology. Specifically, the accounting rule has changed for all companies for cloud computing.

Historically, that is a cost that we would amortize over the life of using that asset. Currently, though, that rule has resulted in it now being expensed in O&A.

Mr. Sala: —the CEO for the response. I'm hoping the CEO can confirm whether consultant costs would be

included in O&A costs and, if so, what the total costs were for consultant services in the last—in the two years listed in the annual report.

Ms. Grewal: I believe the annual report is specifically focused on one year. In terms of consulting costs, I don't specifically have that number in front of me.

The one consulting cost that I am aware of, because we tracked it, would be relative to building Strategy 2040, but that occurred two years ago and not in the year that we're talking about in terms of the annual report. But we can take it under advisement and provide that subsequently.

Mr. Sala: Thank you. I greatly appreciate your willingness to take that under advisement and to provide that later.

On page 10 of the annual report, in your summary, you state that you have, quote, sought and achieved cost reductions through close examination of our structure, processes and approaches to how we work, allowing us to both improve our level of service to customers while reducing our costs. End quote.

Can Ms. Grewal—or can the CEO please explain what the size of the cost reductions were and what they consisted of?

Ms. Grewal: So the way I would frame this, if you look at what we've done as Manitoba Hydro as an organization in the last couple of years, we've done a number of things. There's new business units that we built by not increasing our FTEs. So, effectively, we've reduced our costs because we've reallocated resources by looking at improving processes.

So some of these new skills and new departments and divisions relate to the following: a strategic and enterprise planning group so we can build the enterprise plans that are publicly available on our website. That group also is accountable for building our strategy and focusing on driving those initiatives.

We've also built an enterprise risk management capability, which will ensure that we always understand all the risks Manitoba Hydro is facing, and we have a disciplined approach in terms of how we manage those risks and mitigate those risks across the organization.

Thirdly, we've built additional capabilities in other areas. For example, we have never built an IRP, an integrated resource plan, as Manitoba Hydro. We are building our first integrated resource plan, which is a material undertaking for Manitoba Hydro and

involves many, many people to achieve this, including the degree of stakeholder engagement.

We're also redeploying resources in terms of technology, particularly digital or data, which is key in the evolving energy landscape. And that data will allow us to make better informed decisions.

Another example would be what we've done in the customer segment. We primarily, historically, as utilities, have looked at customers as ratepayers versus—as I spoke to in my opening remarks and is part of our mission statement, we're very much focused on our customers and how we engage with our customers and how we support them.

And we're engaging with our customers on a regular basis and surveying them, where they're clearly telling us their No. 1 priority is reliability, second to affordability. Reliability is what they want, whether it's reducing outages, the number of outages, our—the pace with which we're able to respond to their requests. And so, we're focused in those areas also. So that's what I was referring—we were referring to in terms of efficiency.

That being said, one of the new initiatives that we're undertaking currently, under the auspice of enterprise excellence, is a program built around continuous evaluation. And what is continuous evaluation? Continuous evaluation is two things. Firstly, we're asking ourselves: of any work we do, should we still be doing the work that way, that process? We then determine, if we should still be doing that, then how can we improve this work? Continuous improvement.

And we're going after those processes that will not require a huge technology uplift, but where we can streamline processes and where that will result in an easier for our employees to deliver the services to our customers, which will increase customer satisfaction.

Mr. Sala: There was a directive from the Public Utilities Board in 2019 numbered 69-19, which directed Hydro to use a 1 per cent escalation rate for projecting operating and admin increases.

Can the CEO share what she understands that directive to mean, as it relates to Hydro?

Ms. Grewal: The—that directive is part of a number of directives which we receive from the PUB, and as with any directive from our regulator, we do our best to comply with it.

The reality for Manitoba Hydro is as follows: we were just talking about O&A costs and the need to rebuild our FTE to the level it was pre-pandemic, but

still staying within the level's max cap, as a result of the 15 per cent reduction in the voluntary departure program.

You may be aware that, over the last year and two years, we've also experienced strikes from two of our unions and—where those strikes went for the 60 days; and then third parties—whether it was a labour board or an arbitrator—are determining what the increases are, and not Manitoba Hydro.

Additionally, we're experiencing—as are all Manitobans—inflation. And that inflation is not just impacting salary, it's also impacting our supplies, the materials that we use to ensure reliability and maintain the assets that we rely on to deliver reliable energy.

* (12:40)

So, while we are doing our best, as I shared earlier, in terms of continuous evaluation, continuous improvement, revisiting processes, looking at all work we do, redistributing resources while we're taking on and increasing what we are delivering and the capabilities and skills needed, we are not able to, given all of that, including increasing interest rates and given how highly levered we are, we're very exposed to interest rate increases.

There are many, many factors that are beyond our control that will not allow us to comply with that 1 per cent and we will be having those discussions with the PUB during the active, ongoing general rate application process.

Mr. Sala: I appreciate the response. I think the concern here is that we just discussed O&A increases of about 8.4 per cent year over year and, at the same time, we have a directive from the Public Utilities Board which requested that Hydro ensure that O&A costs remained capped at a maximum of 1 per cent per year. So, that's eight times the size of increase in O&A costs that the Public Utilities Board, which is the voice of Manitobans—it's there to protect us from rate increases—requested that Hydro achieve.

And so I understand that there's a number of factors driving that, but as we just discussed earlier today, it seems as though the majority of these costs are tied to Hydro-developed strategies and a focus on hiring back a number of employees that this current PC government forced Hydro to let go.

So I guess, you know, I hope the CEO can appreciate why this is so concerning for the average Manitoban to see an operating increase of 8.5 per cent, knowing that every \$18-million increase

in costs equals a 1 per cent rate increase for Manitobans.

So, here we have a \$52-million increase, which works out to about a 2.8 per cent hydro rate increase on all Manitobans as a function of that increase.

So, I guess I'd like to ask the CEO if she intends on making an effort in this fiscal or the following to keep O&A costs limited to that maximum of 1 per cent that Hydro was directed to do by the Public Utilities Board in 2019?

Ms. Grewal: Firstly, I'd like to correct what we are doing in terms of increasing our FTEs. We are increasing the FTEs to the same level pre-pandemic. It was never our intention to reduce the FTEs at that time. It occurred as a result of the pandemic. It occurred as a result of attrition—a higher percentage of employees choosing to retire coming out of the COVID environment where we were returning to the office.

And the FTE level, again, is below the level of the VDP cap—the total after we reduce it 15 per cent. So I just want to clarify what we are doing in terms of building our FTEs.

As I said earlier, we have been experiencing inflation of 7 to 8 per cent, and some of these impacts are in areas that we cannot cut. So, if we are being asked to hold to the 1 per cent, it means we will not fuel our vehicles. We will reduce the number of vehicles out there serving customers during storms. It means we would cut labour and overtime, particularly we incur overtime for reliability during weather events. It would mean we would not procure the supplies and materials needed to maintain the aging infrastructure and ensure reliability.

We are always committed, as Manitoba Hydro, to operating as effectively and efficiently as possible.

Secondly, at the time when the PUB made this directive, I do not believe any of us were aware of the environment we are currently in, in terms of the high inflation. And we are committed to, as I pointed out earlier, through the current rate application, having discussions with the PUB in terms of what the impact has been.

And, as always, the PUB determines rates, and the rates that we are provided by the PUB will be what we will continue to work within.

Mr. Sala: I appreciate the response. I guess it does beg the question about the value of a public regulator if our utilities aren't actually following the directives

that are being issued to them, and I'd suggest that's a serious concern.

Has the provincial government expressed concern to Hydro over the fact that Hydro has repeatedly exceeded those O&A targets that were delivered to it by the PUB?

Mr. Chairperson: Ms. Grewal? You are muted, Ms. Grewal.

Ms. Grewal: My apologies. As a Crown corporation, we present our budgets to Treasury Board and are asked many questions, including we were asked questions and are providing additional detail on the changes and increase in our O&A costs to government.

Mr. Sala: Did government at any time request or direct Hydro to keep their O&A increases to the 1 per cent target outlined by the PUB?

Ms. Grewal: As I stated earlier, we presented to government the same materials that we presented to the regulator, and through the GRA process, the PUB, which ultimately sets rates, will determine whether the O&A costs are considered valid to be included in rates going forward.

Mr. Sala: Appreciate that the information was presented to Treasury Board, but I'll ask again, because we're not getting the answer: Did government, in those discussions—whether it be within Treasury Board or any other context—communicate to Hydro that it should keep O&A expenses—increases—to a 1 per cent target as outlined by the PUB?

Ms. Grewal: As I stated, government has asked us questions about our increases in O&A, and there is ongoing dialogue occurring with government regarding our O&A costs. But these were not in the context specifically of that directive.

Mr. Sala: What is Hydro forecasting as the O&A for this fiscal and the following?

Ms. Grewal: Are you referring to fiscal '22-23?

Mr. Sala: That's correct.

Ms. Grewal: For fiscal '22-23, with respect to O&A, we are forecasting increases in wages and salaries, as I identified earlier, due—also an increase associated with the number of FTEs as we rebuild to pre-pandemic.

As we move to operating, the increase in assets such as Keeyask and Bipole III, and those costs are moving from being capitalized to operations as well

as the accounting rule changes on cloud computing and an increase in vehicle prices—vehicle fuel prices.

The specific increase in O&A –

Mr. Chairperson: Sorry, Ms. Grewal. Was that the end of your remark or are you still going?

You can go ahead now, Ms. Grewal.

Ms. Grewal: So, the increase we are seeing is 11 per cent in O&A and, as I pointed out earlier, 4 per cent of that 11 per cent is related to an accounting change in cloud computing. The residual is 7 per cent, and that 7 per cent—a large component of it is wage increases which we do not control. Those decisions were made by third parties.

An Honourable Member: Mr. Chair?

Ms. Grewal: We are not immune from the pressure of inflation, as all businesses are experiencing. And again, as I pointed out earlier, we are focused on operating as efficiently and cost-effectively as possible in serving our customers.

Mr. Chairperson: Mr. Sala.

Mr. Sala: Mr. Chair, I'm asking for clarification. *[interjection]* No, I'd like to ask another question, if I could.

* (12:50)

An Honourable Member: Point of order.

Point of Order

Mr. Chairperson: Mr. Friesen, on a point of order.

Mr. Friesen: A point of order, Mr. Chair. We have in front of us for the afternoon the consideration of the Hydro-Electric Board's annual report, ending 2022. The member is straying from the context of this meeting. He's asking questions about the current operating year. These questions are clearly out of scope for this afternoon's consideration.

The member has all kinds of opportunities within the legislative framework to ask questions pertaining to the current operation of Hydro. He can do so in the House in question period. He can do so in the Estimates process; there was a very considerable Committee of Supply process. But this is not the process and the context for questions in consideration of the current operating year.

Mr. Chairperson: Mr. Sala, in response to the same point of order.

Mr. Sala: Yes, I mean, I appreciate that the minister doesn't feel eager to have us explore these giant increases in operating and administrative costs, and I can see why he certainly wants us to make sure that we're keeping those things as quiet as possible. Unfortunately, this is a serious concern for Manitobans because these operating and admin increases will translate directly into hydro rate increases.

So I think it is relevant to be asking the CEO for information about this year's O&A cost increase, and would be grateful for the chance to have Manitobans learn more about what they're forecasting.

Mr. Chairperson: Okay, anybody else on the same point of order?

Mr. Dougald Lamont (St. Boniface): Just to make the point that I think we have discussed issues that have—and policy changes that have arisen; for example, the changes in the debt fee and their water rentals that occurred in this year. So I think it is legitimate. We've sort of opened the door to that, and so I think that that's—it's reasonable to be asking these questions.

Mr. Chairperson: Okay, thank you. I've—I think I've heard enough from the members. What I would say is that we are, indeed, discussing the report that's before us. I think I can allow some latitude as to the nature of the questions, but I would just ask respectfully that when questions are phrased, when it's possible to tie them to the report that's before us, that would be appreciated. And I think that should allay some of the concerns that have been raised.

We are here to discuss the report, so make sure we're doing that.

* * *

Mr. Chairperson: Thank you, and now back to questioning.

Mr. Sala: So, appreciate the clarity that this year we're expecting an 11 per cent increase in O-A, and I just would like to ask, for the '23-24 fiscal, what that number would be. And that's as far as I'll be going in looking for clarity on increases in O&A. *[interjection]*

Point of Order

Mr. Chairperson: Mr. Friesen, on a point of order.

Mr. Friesen: Mr. Chair, I've been part of these committee hearings for 12 years. I think it's an important sign of respect to the committee process to constrain questions to the committee report under way. There

are opportunities that are very significant for legislators on both sides of this House to peruse expenditures of Hydro in-year, but this is not an in-year examination of the performance of the fiscals of Hydro.

I clearly see in front of us that the meeting agenda today is the consideration of the annual report that ends March 31, 2022. So, I ask the members with respect, and with respect to the comments you've made, Mr. Chair, to focus on the work that's at hand.

I assure all members of this committee that Manitoba Hydro CEO, senior management and the chair have prepared extensively for discussions in respect of the previous year's expenditures, a plan and how that plan played out. If the members want to have discussion beyond that, they should avail themselves of those significant opportunities the Legislature provides for these members to delve into other discussions.

And I want to say that I doubt that the CEO and the chief financial officer will have at their disposal the detailed information about the current fiscal year, the budget, the first quarter and the forecast for Manitoba Hydro in respect of this year.

So, I'm just making the point again that we know what the work of this committee is and we're here to undertake that work.

Mr. Chairperson: Mr. Sala, on the same point of order.

Mr. Sala: I mean, I beg to differ. The information should be on hand. It would be available in any of their rate applications to the Public Utilities Board, but I am happy to move on and to move to a new line of questioning.

Mr. Chairperson: Thank you for that.

* * *

Mr. Chairperson: Mr. Sala, a question.

Mr. Sala: Yes, and just before moving on, I do want to put a finer point on the concern there that, with a 7 per cent increase expected this year and 8.2 per cent increase outlined in the annual report, that those significant increases in O&A will translate directly into hydro rate increases for Manitobans.

Just using these two numbers, ballpark it, we're talking about a 5 to 6 per cent increase in hydro rates required to meet these increases in O&A, and I think that's a serious concern. And I think it also needs to be just highlighted that the fact that Hydro is working in

contravention of the directive given to it by the Public Utilities Board is a serious concern.

Moving on to integrated resource plan development. We know that the IRP is celebrated and mentioned multiple times throughout the annual report, so I'd like to ask some questions relating to that.

The first one I'd like to ask is: Have any external consultants been engaged by Hydro to support the development of the IRP?

Ms. Grewal: Majority of the work on the IRP is being done by Manitoba Hydro employees.

That being said, given this is the first time Manitoba Hydro is undertaking building an integrated resource plan—which is a utility best practice, and it is also something that the PUB has asked Manitoba Hydro to do in past years, particularly as part of the NFAT process—we engaged a third party to review our plan and provide us with any guidance or input to ensure that we were going about it in a disciplined and diligent manner, and in a manner that involved material consultation with all Manitobans to inform potential future decisions.

Mr. Sala: Can the CEO share who provided those consulting services and what was the value of that contract?

Ms. Grewal: I do not have that information at hand. I will take that under advisement.

Mr. Sala: More broadly speaking, how long has work been ongoing on the IRP, and how much of that process is complete?

Ms. Grewal: Manitoba Hydro started working on its first-ever integrated resource plan approximately a year-plus ago. We started, I believe, in the fall of 2021. We anticipate being—have that completed, as I mentioned earlier, at some point this summer in 2023.

The majority of the work has been completed. We've completed, I believe, up to three rounds of stakeholder engagement and consultation with our customers, our large industrial customers, our commercial customers, the different intervenor groups, advisory groups representing our customers, the numerous associations such as home builders, manufacturing, agricultural, along with the Public Utilities Board and with government as input in developing the integrated resource plan.

And we hope to be coming—making public the futures that this integrated resource plan work is informing, and that will be this summer.

Mr. Sala: The Province released—or, the provincial government, rather, released a request for services for consultant services to, quote, assist the government of Manitoba in establishing the conditions and requirements for a transparent, objective and comprehensive planning framework for the provision of electricity and natural gas resources in the province of Manitoba. The consultant will provide expertise in the area of integrated resource planning in support of a government project team responsible for developing a framework for IRP.

Can the CEO or board chair describe the way in which the work of this consultant has informed the Hydro IRP process being used? How have they influenced the overall approach to IRP development? It seems as though this individual was hired in November by the Province.

Ms. Grewal: I can't speak to the role that this individual played with government.

What I can say is that we've been actively engaged with government in consulting with them and informing them as a stakeholder, as well as our owner, as we've worked through the integrated resource plan process.

Mr. Sala: I'd like to ask the minister about the work of this consultant who was hired by his government to help inform the IRP process.

What was the purpose of this consultant engagement, and how does the minister perceive their role in informing Hydro's IRP development?

* (13:00)

Mr. Chairperson: I'll just give the minister a moment to prepare his response.

Mr. Friesen: The committee hearing doesn't make it easy for me to consult with my senior officials, so I'm doing so just outside of the—off of the table so that we don't have to do it in a written way, so I appreciate that accommodation.

The member is asking a question about a contract that has not yet been let, so that contract right now is active. We are seeking that expertise that he refers to. And that expertise would be, essentially, fastened on to Hydro to assist with specific parts of receiving the integrated resource planning work. And then it also,

of course, references the work of the PUB, and it basically asks—acts as an additional resource.

As the CEO has already said previously this afternoon, the work of an integrated resource plan is very significant work. It takes significant resources of Hydro. It is a best practice approach. It provides a road map in future. It is designed to do what the previous government was ineffectual in doing, and that was to guide better intelligent decision making about the needs for generation and for distribution of power, the rate at which consumption was happening domestically, to make intelligent determinations about where excess energy should be directed, to look at that whole array of potential new investments that could be made.

And so, knowing that it's complex work, our government takes the view that it is helpful and in the best interests of ratepayers and taxpayers to engage third party expertise in this area. Nevertheless, as I said, this work is under way. No contract has yet been awarded.

Mr. Sala: I appreciate the response.

The—your request-for-services document that we have that outlines this request for consultant support in developing expertise or a proposed IRP process suggests that the project completion was supposed to be February 1st. So, knowing that now this is yet to be even let at—by this point, it sounds as though we're going to see yet a further delay of maybe a month or two beyond February.

So, I just—I'd like to ask the minister how he feels it's effective to be hiring a consultant to provide expertise on IRP framework development to be—this individual isn't even hired on yet, but the IRP process started one year ago at Hydro and it's expected to be completed this summer.

Can he provide some clarity on how he expects this consultant to be able to meaningfully engage with the IRP work that's been done at Hydro, given we're so deep into that process?

Mr. Friesen: So, I'm happy to provide an answer to the member's question. He seems to be asking the question of why a consultant but then he's also asking the question why now.

We would say the consultant was necessary and was always planned for because, as I stated already, the work is extremely complex and that we know that while Hydro is significantly allocating workforce and expertise within that shop, it is the opinion that additional support is necessary.

To the question of why now—well, that was always the design; that there is work that must be done within Hydro and then this, we believe, is the opportunity to engage a third party to additionally respond—to respond to the expert report on bipole and Keeyask.

The member will note that this recommendation is contained in the expert report on bipole and Keeyask. It indicates that the integrated resource plan work should proceed. It indicates that that work is essential for helping keep rates—energy rates low in the future and informing practices when it comes to making next investments to continue to increase Manitoba's assets in Manitoba Hydro.

But we believe that this is the right time to undertake the work to engage that third party.

Mr. Sala: Appreciate the response.

One would think that the government would want to clarify how they would like to see the IRP process be undertaken before Hydro went ahead and developed their own process, to ensure that it reflected the best practices that the minister has highlighted that they're seeking to get clarity on. The timing and the sequencing here doesn't really make sense, I think, to the average Manitoban.

Speaking about sequencing and concerns around that and government input into IRP or into Hydro's decision making, one question I wanted to make sure we probe today a bit about was the question about the impact of energy policy on the IRP.

So I'd like to ask the CEO what happens to the IRP process if the provincial energy policy states that it wants Hydro to take a direction that isn't reflected in the scenarios outlined in the IRP. For example, what if it takes an aggressive stance in developing green hydrogen or in the electrification of heating in Manitoba? Should Hydro's IRP not reflect the direction given by the Province's energy policy?

Ms. Grewal: Energy policy and the IRP are, rightly as identified, very much interrelated. Energy policy is currently under development and energy policy will consider a number of things that also extend beyond what Manitoba Hydro's responsibilities are.

Mr. Vice-Chairperson in the Chair

But firstly, what I'd like everybody to understand is the IRP, just like strategy, is not a static process or document. It is a living document that we will be revisiting on a regular, ongoing basis because there's underlying assumptions that we'll be making in developing the IRP. And we need to continue to assess

those assumptions because we are operating in a landscape which is changing, which we do not have control over the degree of change nor the pace of change. So it has to be very, very agile.

Secondly, the IRP is being built so that as energy policy is finalized, we will revisit the IRP and one hundred per cent ensure it is allied with energy policy. The majority of the work we have done today, as I called out earlier, is with stakeholder engagement, to understand what it is that Manitobans want on a number of topics in a number of different areas, as well as to understand what their expectations are and the planned use of energy, of electricity going forward.

But I would be remiss if I also did not speak to natural gas, in terms of the comment made about natural gas being replaced by electricity for space heating.

* (13:10)

As a result of the work we've been doing, one of the things—a risk we face in Manitoba is if space heating is electrified, because the amount of electricity that would be required to change all space heating that is currently natural gas in the province to electric would require, at minimum, a doubling of the current capacity we have with the generating stations operating today, including Keeyask, plus we would be short about another 2,200 megawatts.

Mr. Sala: Appreciate that response.

And to that point that was just made by the CEO—and this ties into another question that I was hoping to pose today in terms of the numbers that are being used by Hydro, and I'll just take the numbers that were just offered by the CEO—which is to do—I guess, essentially, look at load forecasting and to determine what our future energy needs would be, the CEO just outlined that we would need to double our current energy production in order to meet a future state where we've electrified home heating throughout the province.

I'm wondering if the CEO can identify whether or not, in that analysis that's being used by Hydro, are they using an econometric forecast or an end-use forecast? Said differently, is the numbers that she is using account for the efficiencies that will be gained by moving towards electric heating or efficiencies that would be gained through the electrification of transportation in the province? The risk being that, if we're not looking at an end-use model and we're not looking at those efficiencies, Hydro risks drastically

exaggerating the amount of energy that we need in that future state.

Can the CEO clarify the approach that's being used in looking at that—those load requirements, that load forecast, going forward?

Ms. Grewal: So, firstly, what I would like to restate is that the IRP process is not yet complete. So what I provided was some early analysis we did when we were developing Strategy 2040 to understand, perhaps, what we need to be focusing our work on. And just that question alone identified and reinforced that we need to go through an IRP process.

The outcomes of the IRP process, and that analysis and modelling, will speak to some of the questions that were just raised and asked of us, so I can't comment, because that—we are in the process of that work. And, primarily, the work to date has been very much focused on input and stakeholder engagement.

We are still seven to eight months away from finalizing the integrated resource plan.

Mr. Vice-Chairperson: Mr. Sala.

Mr. Sala: Oh, new face.

The load forecast would be a key input into the IRP process, so I would like to ask the CEO again, because we didn't get an answer there. And I would think that, even though this is an iterative process, that this would be a very important key question in terms of an input, which is the load forecast and how it's been approached.

So, I'd like to ask again, and hopefully we'll get a clearer answer, about the approach that's being used by Hydro in doing that load forecast, which would have been an input into the IRP. Does it account for efficiencies going forward in transportation and space conditioning?

Ms. Grewal: I would—though it is out of scope, I would suggest that our current thinking in—prior to completing the IRP, in terms of the load forecast, can be found in the general rate application we filed with the PUB on November 15, which speaks to our long-term financial forecast based on the best information that we had at that time.

In our IRP work, we absolutely will be considering efficiencies, including efficiencies delivered through the programs of Efficiency Manitoba. In terms of the other two specific areas requested, I can't speak to that, but it will be a consideration in

developing our best practice IRP, where we are also looking at other utilities and how they've approached this and looked at it.

But I do not have the specific details, as the—as we are still working on that.

Mr. Sala: I'd like to now refer to some of the reorganization of MHI work that's been done by Hydro.

On page 112 of the annual report, it references this reorganization of MHI, and it also references that the telecom services business, which is known as Manitoba Hydro Telecom but not named, quote, "may be impacted," end quote, by agreements associated with the rural broadband expansion project.

So, I'd like to ask some questions in relation to these two aspects of the report.

Firstly, as members of this committee will know, Manitoba Hydro previously sold its profitable subsidiary, Teshmont, and over the last year it has been working furiously to privatize work which was once performed by Manitoba Hydro Telecom, work that was performed profitably and with a high level of excellence.

I'd like to take this opportunity to state very clearly that we, on this side of the House, believe that this slow erosion of Manitoba Hydro through the privatization of its subsidiaries will hurt the corporation in the short and long term. And we also think that further privatization will only mean Manitobans will lose control of our most important Crown corporation while rates increase for regular families and Manitobans.

I'd like to ask the board, will the board chair or CEO tell this committee if they're considering winding down or selling off any further business units within MHI? And I can constrain my language here to the language within the annual report: Will they be reorganizing out any of the subsidiaries currently within or that fall underneath the MHI umbrella?

An Honourable Member: Mr. Chair?

Mr. Vice-Chairperson: The honourable minister.

Mr. Friesen: I'd be happy to provide an initial response to the question that the member is asking based on page 112 of the report, and set the record straight.

The government has been crystal clear in respect of the RFP and the initiative to expand and increase rural broadband in Manitoba based on the fact that

we have essentially dark fibre strewn throughout the province that is there, the infrastructure necessary for Manitoba Hydro.

But those who understand, you know, to a greater degree than I do, fibre optic networks, understand that Hydro does not and did not utilize or need the full capacity provided within that trunk line. And yet, we have that grid and that manifold throughout the province of Manitoba.

On the basis of that, the exploration that the government of Manitoba did, initially leading to the decision to tender for the work, was to undertake to connect hundreds of communities in Manitoba who had inferior levels of high-speed Internet or no provision of high-speed Internet.

So, let us understand that when the member takes exception to this, he is taking exception to the very significant work that is under way now in the province, work that would not have been done to the extent that is now possible through this award.

However, I want to make very clear, as has been made clear time and time again in this Legislature and in the public, is that there is no sale of the asset. Manitoba Hydro continues to own the fibre optic and the network, and what the member is referring to is a lease not of the capacity needed by Hydro to undertake their very important work, but rather a connection.

And so what the RFP is, and it was there for all Manitobans to read, was that this was a contract that was tendered and awarded, in this case to Xplornet, to be able to light that dark fibre, to create these meet-me vaults, to provide those services locally. That work continues. We have, already, customers who have gained that service, and because of that work, we have services provided to Manitoba that would otherwise not be the case.

There is no sale of the Hydro Internet, in this case. There is a lease with clear provisions that the public understands and knows.

Mr. Sala: Appreciate the response.

The response from the minister clearly shows that he's not actually familiar at all with the impacts of the rural broadband expansion contract and the impacts of it, because if he were, he would know that this has resulted in the delay of the expansion of broadband Internet to rural and northern Manitoba. And he can consult with his team and hopefully he'll consult with the small businesses, the Internet service provider

businesses throughout Manitoba who've lost a year and a half of revenue, work, and have been significantly impacted by that contract.

I'd like to, again, ask the CEO the question, and the minister asked a question that—answered a question that I didn't ask. I still appreciated the response.

But I will, again, direct the same question to the CEO: Are they considering winding down or selling off any further business units within MHI?

* (13:20)

Ms. Grewal: Firstly, I'd like to speak to the issue of Teshmont. To provide context to my statements, Teshmont was always a private company, and it was a majority-owned company, a private sector company, where Teshmont Consultants owned 60 per cent of the company.

Manitoba Hydro had bought a 40 per cent ownership in—from many years ago, as we were starting to get into HVDC as a new capability within Manitoba to support bringing energy from the North to the south. So, clearly, we are a minority shareholder. The decision to sell Teshmont was made by the majority shareholder.

Secondly, I do not characterize this as privatization, and the reason why I do not is you cannot privatize what is already a private company.

So, the decision was made by the majority shareholder. Manitoba Hydro has no employees—never had any staff—that were in Teshmont, as well as we never played a role in the day-to-day operations of Teshmont.

Secondly, Manitoba Hydro is owned by the people of Manitoba, and it will remain that way. What we are talking about is subsidiaries that, firstly, are not regulated. Therefore, these subsidiaries do not have an impact on rates, electricity and gas costs that our customers pay for delivering green, dependable, reliable electricity and natural gas.

Manitoba Hydro undertook, as it did, as part of Strategy 2040, a comprehensive review of all of Manitoba Hydro, including the subsidiaries.

In terms of going forward, of the four key business divisions that make up Manitoba Hydro International, what we are doing is—and we've made public—is we are exiting the international consulting business. There were increasing risks and we were less and less competitive in this business. But more

importantly, as is stated in our mission statement for Manitoba Hydro, we are focused on our core business.

Secondly, what I would like to identify is all of the employees of Manitoba Hydro International are now employees of Manitoba Hydro. The subsidiary, Manitoba Hydro, and the board business units, whether it's international consulting, whether it was what we were doing in the broadband space, et cetera, there are—were 88 employees of a 5,400 FTE. Of those, 88 employees we offered employment to join into Manitoba Hydro and join Manitoba Hydro in focusing on our core business, 86 of those 88 employees accepted those offers and continue to work as part of Manitoba Hydro as we move forward with our strategy.

Mr. Sala: Appreciate the response.

The CEO stated there that the profits generated by Hydro subsidiaries in no way contributed to the reduction of rates for Manitobans. MHI earned approximately \$80 million over the last 20 years. It's my understanding that revenues generated by MHI as a subsidiary contributed directly to Hydro's overall revenues, which would then, in turn, be used to help keep rates low.

Can the CEO please confirm whether or not what she stated is accurate, that the profits generated by subsidiaries in no way contributed to rate setting by Hydro?

Mr. Chairperson: Ms. Grewal. Ms. Grewal, I don't know if your mic is off—please go ahead.

Ms. Grewal: To clarify, as I stated earlier, the—it's Manitoba Hydro—the core Manitoba Hydro—is what is regulated.

What you are referring to is the consolidated Manitoba Hydro, which is not regulated, which includes any profits that are earned by MHI, and those are not considered in our rate applications, nor do they impact our filings with the PUB.

Mr. Sala: One concerning bit of information that I've received recently was that these HVPT substations, the high voltage padmount transformer substations, which are actually this incredible product, this innovative product that was created by Manitoba Hydro International, that have been sold in jurisdictions around the world, are no longer able to be sold. And that the reason we're not—MHI is not selling these is because they've been directed by Hydro executive to cease the sales of this highly innovative, made-in-

Manitoba product, which we, as Manitobans, all own and had a stake in or had a part in helping to develop.

Can the CEO clarify or confirm whether or not Hydro did direct Manitoba Hydro International to cease the sales of these HVPT substations that were produced by MHI?

Ms. Grewal: I can confirm that Manitoba Hydro made the strategic decision to exit Manitoba Hydro International consulting business.

From myself, there was not a specific directive related to the technology that you reference. It was strictly the consulting side of the business. If, as part of the consulting, they were part of what was being offered, that I can't comment on.

That being said, though, I'd like to clarify, and though this information is not public, the profit earned in the consulting business had materially reduced and shrunk.

Mr. Sala: I'll put a finer point on it. Has Manitoba Hydro International, in any way, been directed to cease the sales of the HVPT substations?

Ms. Grewal: No.

Mr. Sala: Manitoba Hydro International also developed an online DC line fault locator, which is this incredibly—again, an incredibly innovative product, made in Manitoba, that allows utilities to identify where line faults occurred within a kilometre. These have been sold, again, around the world and installed across Canada. And, again, a made-in-Manitoba technology that, as far as I understand it, makes a very tidy, handsome profit for Manitoba Hydro with each one sold.

Again, I've learned that these are no longer able to be sold by Manitoba Hydro International.

I'd like to ask the CEO if she can clarify whether or not direction was given to MHI to cease sales of the online DC line fault locators.

Ms. Grewal: No such direction was given.

Mr. Sala: Can the CEO provide follow-up to clarify whether or not that direction was given and provide that information to the committee?

Ms. Grewal: We will take that under advisement.

Mr. Sala: Page 112 of the annual report references that Manitoba Hydro Telecom may be impacted by the rural broadband expansion agreement, and I'd like to ask some questions about this aspect of the annual report.

As part of the agreement the Manitoba government signed with Xplornet regarding broadband services, a number of Manitoba Hydro Telecom contracts with ISP providers previously held by Manitoba Hydro International were sold to Xplornet.

Can the CEO or board chair confirm who oversaw the valuation of those contracts?

Ms. Grewal: Firstly, I'd like to clarify: none of the existing customer contracts have been sold to any third party, including Xplore.

We are having discussions with Xplore that are ongoing, as well as the third party of these contracts, to see if there is any interest in moving to Xplore as a service provider, or remaining with Manitoba Hydro Telecom, where we will continue to serve and honour the commitments under those contracts.

* (13:30)

Mr. Sala: In those instances where private service providers are the ISPs in question—these third party service providers are willing to continue working with Xplornet once the work has been transferred to them by Manitoba Hydro Telecom—will those contracts be sold to Xplornet?

Mr. Friesen: I think I can be of some assistance in this matter, just in terms of helping to distribute questions appropriately. The member was asking similar questions in the Committee of Supply when we met earlier—or, I should say, later last year.

And I did indicate that, while we are trying to be helpful, the member should remember that the contract actually resides in the Department of Labour, Consumer Protection and Government Services. This is the department in government that holds the contract, the department that issued the original RFP and the department that delineated that two-part process that the CEO just spoke to, which is in respect of future work to connect as many as 70,000 homes in Manitoba, which is a very significant undertaking for those communities that might be unserved or underserved when it comes to high-speed Internet.

And then that second part of the contract that the CEO just spoke to now, which is that consideration of what happens to existing contracts—and, as the CEO just indicated, none of those contracts have actually been sold to a third party.

So I think, in this case, as I continued to say during the Committee of Supply hearings at Finance, I was requesting and recommending that the member

avail himself of the opportunity to appear at the Committee of Supply for LCPGS—Labour, Consumer Protection and Government Services. I believe he did so, and—where that department could answer more specific questions, which would perhaps be the more appropriate way to deal with the questions he's asking.

Mr. Sala: Could not disagree more strongly with what was shared by the minister. In fact, I think this is the ideal place. Of course, we have the executive who's responsible for overseeing a lot of the work that's been done in partnership with Xplornet, so I could not imagine a better place to get the information I think that Manitobans want to learn about.

And again, this was very clearly referenced—the impacts on Hydro and on Manitoba Hydro Telecom are very clearly referenced in the annual report itself, so I would appreciate the latitude and do appreciate the opportunity to continue asking questions in this area.

The question was whether or not—or, sorry, the question was who oversaw the valuation or who continues to oversee the valuation of the contracts in question.

And we're referencing, again, the contracts that currently exist between Manitoba Hydro Telecom and ISP providers. Those contracts have been valued, and 'they're've' been valued in preparation for transferring or sale to Xplornet.

So, I would like to ask the CEO again if she can clarify who oversaw the valuation of those contacts?

Ms. Grewal: Each contract will have to be looked at individually, given that it is not a portfolio of contracts that will be potentially—I want to be clear, potentially—no contracts have been transferred to Xplornet. Each contract will be looked at individually, depending on the third party's interest, as well as Xplornet's interest.

Mr. Sala: Can the CEO share whether the provincial government sent Hydro a proposed valuation of the contracts to Hydro or to Xplornet?

Ms. Grewal: I cannot comment on behalf of government as to whether or not anything was shared with Xplornet. We did not formally receive any valuation from government regarding the contracts.

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

I have an email here directly from someone in Central Services, an individual named Ayo Kuewumi, to the deputy minister for Crown Services, which

states: Hello, Scott. This has been formally communicated to Manitoba Hydro. Should I communicate it to Xplornet or has it been communicated to—and it's blanked out.

The following email from Scott Sinclair to the same individual with Central Services responds: Please formally communicate that the valuation of MHT contracts have been determined to be—and then it's blanked out—we couldn't get that part in our FIPPA.

Hoping that the CEO can clarify again whether or not she did, in fact, receive a valuation from government as asked and as does seem to be indicated in these emails. And, if so, what the value of that—what that was valued at by government in their valuation work?

Mr. Vice-Chairperson: I'm obliged to inform the committee and—all members of the committee—that is a private email and the member is requested to table the email that was quoted from. I believe that undertaking has happened, that the email has been tabled, and the honourable minister has indicated his intent to respond to that question.

Mr. Friesen: Mr. Chair, I just want to reiterate the member is reading from an email that comes from the deputy minister for LCPGS. He's referring to it as essential services, but it's actually Labour, Consumer Protection and Government Services.

Mr. Chairperson in the Chair

But, more importantly, he's referring specifically to a department of government, an interaction between a deputy minister and another official. He's not referring to an interaction between Hydro officials or the minister responsible for Hydro.

And so, again, I would suggest that the member's better opportunity to get the clarifications he's seeking would be at the Committee of Supply for LCPGS and not here.

Mr. Sala: I appreciate that, again, that the minister isn't comfortable with the questions that are being asked here, but we just heard from the CEO that no valuation was provided to Hydro. And while it was a private email, the email was from a deputy minister that's responsible for or has accountability as it relates to Hydro. And, of course, we assume that the CEO should be aware of this valuation, given that it was communicated—it says that it was communicated to Hydro.

So, I'd like to ask the CEO again: Having heard here today that we clearly know that a valuation was sent to the corporation, can she clarify whether or not she received a valuation for those contracts from government and, if so, what were the value of those contracts?

Mr. Chairperson: Ms. Grewal. Sorry, you're muted. Go ahead.

Ms. Grewal: Can you hear me now?

Mr. Chairperson: Yes. Go ahead.

Ms. Grewal: Thank you. Firstly, I can't comment on government emails. But, secondly, I can confirm I did not receive a formal valuation from government with respect to the telecom contracts.

Mr. Sala: Did anyone in your executive receive a valuation of those contracts?

Ms. Grewal: Not that I am aware of.

Mr. Sala: Did the CEO engage any consultancies in estimating the value of Manitoba Hydro Telecom contracts which were to be transferred to Xplornet?

Ms. Grewal: We did early on engage a third party to do a preliminary report, but that report is no longer valid, given how the model evolved and where we are at today.

Mr. Sala: And what did that early analysis conclude in terms of the value of those contracts which were to be transferred from government—our government—or, sorry, from Manitoba Hydro Telecom to Xplornet?

Ms. Grewal: As I noted earlier, the work that was done was preliminary and any information or views on it are not valid today.

Mr. Sala: So, again, the question was what was the valuation that was proposed through that engagement with that consultant? What was the total proposed value of the contracts?

Ms. Grewal: Again, as I stated, that was preliminary work where we had not defined any of the—understood any of the terms under which the contracts would be considered, and therefore, it would not be appropriate or valid or representative to share that information.

* (13:40)

Mr. Sala: I hope that the CEO can see that even if those numbers were not perfectly accurate—even if they were 25 per cent more or 25 per cent less—that it

would be very important for Manitobans to understand the value of those contracts, even if they are somewhat inaccurate at this point in time.

And the reason that's germane or important, I think, to this conversation is it just clarifies that the CEO and government were aware that the contracts, which are currently held between Manitoba Hydro Telecom and a wide number—or, a large number of Manitoba-based ISP providers, which are profitable contracts, have a value, and we're taking that value and were giving that value and were offering to transfer that over to Xplornet, who I'm sure is very eager—very eager—to pick up this opportunity to make some profits off what were once profitable contracts for us as Manitobans, as the owners of that.

So it's very concerning to see that we're not getting clarity here and that Manitobans aren't getting that opportunity to understand what it is that we're missing out on, or we will be missing out on, as a result of this proposed transfer of those contracts.

So what I have heard here today is that, although I'm not getting the number, I am hearing that Hydro did work with a consultancy and placed a financial value on contracts that currently benefited Manitobans—or, that benefited Manitobans, and that we are confirming that that value is now being passed over to a private business.

Is that accurate?

Ms. Grewal: I—I'd like to reiterate that if any contract is taken over by Xplornet, there will be a valuation done of that contract. And that is (1) if the customer is making the choice to have Xplornet be its service provider, and secondly, Xplornet is choosing and wanting to take on that contract.

At this point in time—we are not even aware of any contracts at this point in time that may be transferred—taken on by Xplornet.

Mr. Sala: I have an email here between yourself and the deputy minister, Scott Sinclair, which states: please see—this is from yourself, the CEO—please see below regarding a \$30-million valuation and the methodology used by the proponent. We are continuing the work regarding revenue Manitoba Hydro would have received from MHI for this fibre, based on historical precedent, as well as all MH costs associated with the fibre, including managing the contracts, et cetera. Will get that across as soon as we have it. Regarding the \$20-million Clear Sky in-kind, when this was done, the in-kind was in the form of fibre, which is part of the rural broadband RFP, which

is identified in the annual report. We cannot give away the same fibre twice. Wanted to ensure you are aware of this, as it could become political.

In that email that you sent to the deputy minister, you state that you are continuing the work regarding revenue that Manitoba Hydro would have received from Manitoba Hydro International for this fibre based on historical precedent.

Can the CEO please provide the numbers that were developed in relation to that commitment to the deputy minister? What is the total revenue that Manitoba Hydro would have received from MHI for this fibre, based on historical precedent?

Mr. Chairperson: Just consistent with committee practice, if you could please table the letter, that would be appreciated.

Mr. Sala: –the email.

Mr. Chairperson: Thank you for tabling the email.

Ms. Grewal, are you prepared to respond at this time?

Ms. Grewal: We will take that under advisement.

Mr. Sala: I'd like to ask again. And I think this is pretty important question, and I don't think it's appropriate to take this one under advisement given we've got clarity here in writing from you stating that this work had been done.

So, again, I'd like to ask the CEO, can she clarify the total revenue that Manitoba Hydro would have received from MHI for this fibre, based on historical precedent? It's clear the work was done, and it's clear that it should be available, and I'd—we'd like to ensure that Manitobans can get a line of sight on that information.

Will the CEO provide that info?

Ms. Grewal: We will take that under advisement.

Mr. Sala: –the CEO again. Just one more time here, I'd like clarity from her, and if she's not willing to answer this, I'd like clarity as to why, given this analysis has been done. Will she provide the revenue that Hydro would've received from MHI for this fibre based on historical precedent?

And again, I'd like to remind the CEO that we have an email from her to the deputy stating that this analysis had been done. So, advisement seems like kind of an off-ramp here that we shouldn't be taking.

Again, I want to remind the CEO that Manitobans are watching. They want to know how much this fibre was worth to us. That's a pretty important question that I think people have a right to know.

So I'd like to ask the CEO one more time: Will she clarify what the total value or what that revenue for Manitoba Hydro is, based on historic precedent?

Ms. Grewal: To clarify, I never saw any specific numbers. They did not cross my desk, nor did I receive an email. But I will take it under advisement and respond at a future date.

Mr. Sala: In the response that was provided to you in that same email, which I've already tabled, the deputy minister says to you: Also need more information on the MHT dividend Hydro gets annually and how it is applied to regulated electricity and gas costs to offset rates.

I'd like the CEO to provide the committee with clarity over what that dividend was that Manitoba Hydro Telecom provided to Hydro annually.

Ms. Grewal: As I spoke to earlier, Manitoba Hydro Telecom is a subsidiary of Manitoba Hydro International. It is a non-regulated entity, and as it is not regulated, any potential profit that might have occurred in Telecom did not affect rates for Manitoba Hydro customers, both on the electric and the gas side.

Mr. Sala: I'd like to ask again. Again, this is an email from the deputy minister to yourself, who states: We need information on the Manitoba Hydro Telecom dividend Hydro gets annually and how it is applied to regulated electricity and gas costs to offset rates.

I'd like to ask the CEO, just clearly: Did she provide the deputy minister with the information he requested, and if so, what was the information?

Ms. Grewal: I'd like to confirm that Manitoba Hydro has never received a dividend from Manitoba Hydro International, including Manitoba Hydro Telecom.

Mr. Sala: Like to review some of the costs associated with the handover of government contracts to Xplornet, or the yet to occur, but soon to occur, handover of government contracts to Xplornet.

Is the CEO aware of the total costs associated with MHI staff supporting the handover of these contracts?

Ms. Grewal: The contract that Manitoba Hydro was party to ensures that costs that we incur in this transaction with Xplornet are borne by Xplornet, and we built the appropriate system to track any costs,

including the time of our people, which will then be paid for by Xplornet.

Mr. Sala: I'd like the CEO to provide information around how much money Hydro has invested in the upkeep of the infrastructure which is being used by Xplornet since the agreement was signed.

Ms. Grewal: I do not have that information.

Mr. Sala: Will the CEO endeavour to provide that information to the committee at a later date?

Ms. Grewal: I will take that under advisement.

Mr. Sala: And does Hydro anticipate receiving any revenue from the deal between Xplornet and the provincial government?

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

Mr. Sala: Will Manitoba Hydro be a financial beneficiary of the agreement between Xplornet and the provincial government?

* (13:50)

Ms. Grewal: We will recover our costs associated with any interaction involved in supporting Xplornet. That is the extent of what the financial arrangements look like at this point in time, given the work completed to date.

Mr. Sala: I'd like to thank the CEO. That's it for my questions in this area but, again, I just want to put a finer point on this and just recap.

I think what we heard today very clearly in this committee is that, although this government likes to repeatedly suggest that they're not privatizing anything at Manitoba Hydro—and, again, we heard the minister earlier comment that we were somehow stating that privatization was occurring where it wasn't—the last 15 or 20 minutes, what we've clearly identified is that these contracts, which are currently held between a Hydro subsidiary, Manitoba Hydro Telecom, and a huge number of Manitoba small businesses, are about to be transferred to a private business and that the value of those contracts have been identified by a consultant that had been hired by Hydro, as well as by government.

And what that tells Manitobans, with total clarity, is that we are taking contracts that benefit us as Manitobans and help to keep rates low, and we're giving that profit-making opportunity over to a private business. If that isn't privatization, I don't know what is.

So, I think it's very important that we highlight here today we've heard with total clarity that this PC government has, in fact, supported and encouraged the privatization of those contracts and the value that those contracts provide for Manitobans.

I'd like to move on to another area of questioning here. In the annual report, the president notes there was a review of the quote, unquote, business model of Manitoba Hydro.

Can this be described in more detail? Who conducted the review? What were its terms of reference?

Mr. Friesen: Because the member did not pause between his former area of questioning and his new one, I'm going to take the opportunity to respond to the former area and just reassert again that the CEO this afternoon made clear that there is no sale of assets within this planned expansion of Internet within Manitoba.

Also, the critic here asserted a number of times, falsely, and the CEO made this clear: there is no relationship between the subsidiaries of Hydro and rate application processes; that when Hydro essentially goes to the Public Utilities Board for a general rate application, it does not include amounts received through these subsidiaries. In that respect, he's referring to a different structure altogether.

So, let's be clear about what the value of these contracts is, because the member has suggested, well, what was the value to Manitoba Hydro received as a result of this?

Let's return to first principles. The investments were made because there was dark fibre completely unutilized, not underutilized but unutilized, by Manitoba Hydro. It was latent; it was in the ground. On that basis, the government said we could do better for Manitobans. I made a reference to 70,000, but in the original press release there's actually a reference to 120,000 households that are underserved or unserved by high-speed Internet.

I would also note for the record that in the email the member himself referred to, I would indicate that part that he didn't choose to read into the record because the very first part of this email says: Thanks, I'm really unclear how this matters because we are not selling the fibre. Manitoba, through Manitoba Hydro, is retaining 100 per cent ownership. No cash is exchanging hands for fibre access. And then the email goes on to say that the true valuation in this is

essentially in terms of the expansion of connections to Manitoba.

So, let us be clear on what the advantage and benefit to Manitobans is of this arrangement in which no privatization takes place: that hundreds of thousands of Manitobans who are underserved get high-speed Internet, who would not otherwise have received it.

But then, to be really clear on the final point that the member has continued to refer back to: not a privatization and furthermore, no valuation comprehensively has been undertaken.

I have myself been in the meetings in my time in this file, and I've been in this file for probably almost exactly one year in duration with this new responsibility—responsible for Hydro—and I've had exactly these conversations with the chair of the board, with the CEO, with the minister responsible for Hydro. And I have had exactly these conversations with the chair of the board, with the CEO, with the minister responsible for LCPGS, with the deputy minister responsible for LCPGS, talking about the complexity, not of the fundamental contract but essentially what's been referred to as an additional assignment of customers.

And, indeed, I've heard exactly those responses, saying this work would have to be undertaken on a company-by-company—or, I should say, on a contract-by-contract basis, which is exactly the point that the CEO made clear today.

That work, I can concur, to the best of my knowledge, continues. There has been no assignment to those customers, but the fundamental contract, the one that the press release from November 30th, 2021 refers to, is that agreement with Xplornet to light up that dark fibre, to serve First Nations communities, 30 of them, 350 rural communities across Manitoba and provide services where no services exist.

So, let us be clear that when that member takes exception to this work, he's taking exception to this decision of government to use unlit, high-speed fibre to connect Manitobans.

Thank you, Mr. Chair.

Mr. Sala: What we take exception to is the fact that—and it's interesting the minister highlights this as though this is some sort of a positive—that our provincial government is taking publicly owned infrastructure, dark fibre, towers, all types of very expensive equipment that we've invested in, and we're

handing it over to a private company so that they can make profit with that infrastructure.

And he's bragging about the fact that we're doing that, we're handing over that infrastructure, at no cost. And at the same time, he's glossing over the fact, and getting lost in a mess of words there, that his government is handing contracts over, or intends on handing contracts over, over to a private business.

I know that's tough sledding and it's tough for him to navigate because it's a tough truth that we're trying to avoid here, but that's the basic reality: they're giving away access to publicly owned infrastructure so that a profit can be made on it, which is a profit that we no longer benefit from, and they're selling profitable contracts to a private company.

That is the truth, end stop. There's no debating that. We can continue to go around in circles, but that's what's happening here; that's highly problematic.

I'll go back and repeat the question that I posed to the CEO. In the annual report, the president notes that there was a review of the business model of Manitoba Hydro. Can this be described in more detail? Who conducted this review, and what were its terms of reference?

Ms. Grewal: As part of undertaking the work around Strategy 2040, what we then asked ourselves the question is: what needs to be true for us to be effective in becoming the Manitoba Hydro of the future that our customers will continue to depend and rely upon for electricity and natural gas?

We engaged a third party, PWC, to assist us in this assessment because the model, or the org structure that Manitoba Hydro had been using today was very much the org structure that had existed for decades and decades, and that org structure would not allow us to be successful going forward.

So, it was effectively a review of our operating model, how we operate as Manitoba Hydro, and it was focused on looking at different options, different models that we could consider relative to our objectives in the Manitoba Hydro of the future as articulated in our vision statement for Manitoba Hydro.

This work was done over approximately a one-year period. It was work where Manitoba Hydro also put in considerable effort and analysis, and the cost of that work to create and design our new org structure was approximately \$2.26 million.

Mr. Sala: Within that review by PWC, were there areas found where Hydro can improve, areas where Hydro should change or alter its operation?

Ms. Grewal: Yes, there were areas that were identified. Traditionally, Manitoba Hydro was based on asset; it was an asset-based model. We had a business unit on the operational side called generation. We had a second business unit called transmission and then a third one that was focused on distribution.

* (14:00)

What we've chosen to evolve to, which is actually an industry best practice—and we see utilities in the US, including recent discussions as late as last week, that Xcel has just shifted to that, where we did that work approximately two years ago—is we moved to a process-based model.

There are efficiencies and effectiveness in a process-based model. An example of that is one asset management model, and one asset management methodology, and one underlying asset management technology; work management, as a process to align it, whether you're in generation, whether you're transmission or distribution.

So we reframed, restructured our operations—our current operations group, which is our largest group within Manitoba Hydro. That is what our customers would consider the front line. They do the day-to-day operations of generation, transmission and distribution and they optimize the work management system.

In the asset management and delivery business unit, which is our second largest business unit, we are focused on industry best practices around asset management and life cycle costing in terms of the engineering and planning and design, in terms of how we do the delivery of major project.

For example, all asset-based projects are now overseen by one group that is focused on industry best practices and project management from stage gating to how we actually monitor projects as we build them to how we contract. And that group has oversight on, as well as accountability to continue to engage with what is happening in project management as a field of expertise.

Mr. Sala: I'd like to ask if that review found any areas of Hydro that are no longer relevant or will no longer be relevant to the operations of Hydro going into the future.

Ms. Grewal: There were no areas of Manitoba Hydro that, as a result of this review, said that these functions or capabilities should not exist.

That being said, though, there were areas identified, and I actually touched on them earlier, that we needed to either build the capability or improve—elevate the capability within Manitoba Hydro from strategic and enterprise planning to how we look at enterprise risk management and other areas such as that.

Mr. Sala: The annual report notes, quote, continued co-operation with the provincial project team and expert panel as they develop their recommendations to government on the implementation of the recommendations and the Economic Review of Bipole III and Keeyask, end quote.

What were the specific actions Hydro undertook as part of its co-operation with the provincial project team on the recommendations and the Economic Review of Bipole III and Keeyask? And I apologize for the word salad, there.

Mr. Chairperson: No apology needed. We're in committee.

Ms. Grewal: Could you please confirm that you're referring to the work that was done by Commissioner Wall?

Mr. Sala: Yes, that would have been a much more succinct way of putting it.

Ms. Grewal: So, the role Manitoba Hydro played in supporting the work done by the commissioner, as well as the review done by the independent committee, included making presentations, providing information and data and analysis, as was requested.

We've also reviewed and are currently reviewing the government response to the recommendation. And, as we have in the past, we will work with the Province on the next steps.

Mr. Sala: How much staff time and operating funds were budgeted and expensed to support the provincial project team that were implementing the recommendations to the Economic Review of Bipole III and Keeyask?

Ms. Grewal: We will take that under advisement. I do not have that information.

Mr. Sala: I'd like to ask the CEO again if she'll commit to providing that information, which I would imagine should be available to the committee at a later date.

Ms. Grewal: We will take that under advisement.

I do not—I am not aware that we were tracking this work specifically as a project. It was done by existing employees within Manitoba Hydro as part of the work that they undertake on an ongoing basis.

Mr. Sala: Was the CEO or board of Manitoba Hydro consulted with during the work of the provincial implementation of the recommendations of the Wall report?

Ms. Grewal: I can confirm that Manitoba Hydro management was consulted and engaged in the process, and as I identified, we co-operated and provided information, analysis and presentations.

Mr. Sala: I'd like to ask the CEO kind of a softball question here, but what is the core mandate of Hydro according to yourself?

Ms. Grewal: The mission statement for Manitoba Hydro is as follows: 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.

Mr. Sala: I'd like to pose the same question to the chair of the board: What does the chair perceive as the core mandate of Hydro?

Mr. Edward Kennedy (Chairperson, Manitoba Hydro-Electric Board): Thank you, good afternoon.

The board is aligned with that mandate that the CEO just described.

Mr. Sala: I apologize. The support team here that we have that's normally helpful just distracted me and prevented me from hearing—being able to hear the answer. I apologize to the chair. I would ask whether or not he could just repeat the answer, just—

Mr. Kennedy: The board is aligned with that description that—of the mandate that Jay just gave you.

Mr. Sala: I'd like to again ask the chair another question here, whether or not the board supports the conclusion of the provincial project team, including their endorsement of the recommendation to sell off subsidiary elements of Hydro if those subsidiary elements are not, quote, core to Hydro's mandate.

Mr. Kennedy: Well, we haven't really talked about those issues and—on the board since I've been in the chair, as well, in June. So, hypothetically, we'd—I'd—I would say take it under advisement to look at that in more detail. It hasn't been a board topic.

Mr. Sala: I'd like to ask the same question to the CEO.

Ms. Grewal: Could you please repeat the question?

Mr. Sala: Does the CEO agree with the recommendation of the provincial project team that Hydro explore the selling-off of subsidiary elements of Hydro that are not deemed to be part of Hydro's core mission?

Mr. Chairperson: Ms. Grewal. Ms. Grewal, if you are trying to speak to the committee—now I'm muted. Ms. Grewal, if you're trying to speak to the committee, we're not hearing you.

So, we thought you were consulting with your personal staff but, in fact, it seems like you are trying to speak, and so I will now ask you to begin your remarks afresh.

Ms. Grewal: My apologies.

As I stated earlier, I stated the core mandate for Manitoba Hydro. The only subsidiary Manitoba Hydro has of any scale or size is the Manitoba Hydro International, a group of 88 people. Those individuals are now part of Manitoba Hydro and they continue to do the work that they've done in the past other than on the Manitoba Hydro International consulting side. We're not pursuing any new contracts and we're continuing to honour our obligations under the existing contracts.

Mr. Sala: Could the CEO provide clarity over—or examples, rather, of activities that would be core to Hydro's mandate?

* (14:10)

Ms. Grewal: As I've shared earlier, in terms of our customers and Manitoba Hydro, what is paramount is safety; public safety and employee safety.

Second, what is critical and paramount from our customers' perspective, who've repeatedly told us through various surveys—third party surveys and surveys we've done—reliability is something that is also non-negotiable.

Mr. Vice-Chairperson in the Chair

Whether it's outages, duration of the outage, whether it's how quickly we can respond to connections to ensure reliability, that is fundamentally core. Dependability is core.

Reliability, safety, at the lowest possible cost. That's always been the focus: safe, efficient electricity and natural gas at the lowest possible cost.

Mr. Sala: Is Centra Gas considered to be core to Manitoba Hydro's operations?

Ms. Grewal: As I stated, core is electricity and natural gas. We don't speak about Centra Gas as standalone; we speak as Manitoba Hydro. And gas is part of Manitoba Hydro, though the entity that we acquired in the early 2000s from the private sector was known as Centra Gas.

Mr. Sala: So, just to put a finer point on that, we know that the Wall report recommended that subsidiaries or non-core aspects of Hydro be sold off, or considered to be sold off.

Does the CEO consider Centra Gas to be core to Hydro's mandate, or could it be included under this definition of being a subsidiary as put forward in the Wall report?

Ms. Grewal: As I stated, natural gas is core to Manitoba Hydro's service to Manitobans of energy, and that would include the organization of our business entity corporate structure named Centra Gas.

Mr. Sala: Could the CEO provide examples of business activities—specific examples of business activities—that are not core to the mandate of Manitoba Hydro?

Ms. Grewal: As I spoke to earlier, what is Manitoba Hydro that is regulated remains core, and both gas and electricity are regulated by the Public Utilities Board, who has oversight over setting rates for Manitobans.

Mr. Sala: I'll ask the same question again. Hoping the CEO can provide specific examples of business activities within Hydro that are considered by the CEO to be non-core activities.

Ms. Grewal: I would be speculating if I was to indicate what I thought from a subsidiary perspective is non-core, and I think I've been clear as to what we consider core.

Mr. Sala: Are the various business units within Manitoba Hydro International, which has now been brought under the umbrella of Manitoba Hydro, as you've stated; are those considered to be non-core elements of Hydro?

Ms. Grewal: If they were considered to be non-core, we would—I would be speculating, but we brought them in, and those employees into Manitoba Hydro. So, that would stand for itself to say that those services and the role they play in serving the customers of Manitoba Hydro are important today.

Mr. Sala: By that definition, wouldn't the work of Manitoba Hydro Telecom be considered a core aspect of Manitoba Hydro?

Ms. Grewal: Those individuals were brought into Manitoba Hydro as part of our operational group in terms of how we engage and manage our dark fibre going forward.

Our dark fibre remains core to Manitoba Hydro. We operate and maintain that system to support operations throughout the province. The percentage of dark fibre that was underutilized that we anticipate using in the future, 10, 20 years out, is solely 10 per cent; 90 per cent of the fibre is owned, managed, operated by Manitoba Hydro.

Mr. Sala: This question, again, is for the CEO. Is there a roles and responsibilities record that is signed and publicly available for Manitoba Hydro?

Ms. Grewal: There is a roles and responsibilities record. I can't recall which year that was executed, and I can't recall if it is public, but—actually, it is, because it is in tab 2 of our general rate application.

Mr. Sala: I'd like to ask the CEO which business units of Hydro are not regulated by the Public Utilities Board?

Ms. Grewal: Within Manitoba Hydro, we have seven business units. I already spoke to operations, I spoke to asset management and delivery and there's customer solutions and experience.

In addition, we have a business unit called digital and technology. We have a business unit which is finance—the office of the CFO. We have a business unit, health—HR, health, safety and environment. And then we have a business unit which includes legal, stakeholder engagement and communications.

Those are all core to Manitoba Hydro, and those are the business units that make up Manitoba Hydro.

Mr. Vice-Chairperson: Sorry, my mic was not on. Mr. Sala.

Mr. Sala: That didn't answer the question. I'll ask it again.

Can the CEO let us know which business units of Hydro are not regulated by the Public Utilities Board?

Ms. Grewal: All business units that I spoke to fall under Manitoba Hydro.

The—what you may be referring to are the unregulated businesses, which I touched on earlier, which are the subsidiaries.

Mr. Sala: Can the CEO identify what those business units are, for clarity?

Ms. Grewal: Manitoba Hydro International, which is not a business unit; it is a subsidiary of Manitoba Hydro.

Mr. Sala: I just want to go back to a question I'd asked to clarify.

The CEO stated that there is, in fact, a roles and responsibility record that is published and publicly available. Can she confirm that's the case?

Ms. Grewal: I can confirm that, in tab 2 of the GRA, there is a roles and responsibility discussion and documentation.

Mr. Sala: The CEO would know that this is subject to the Crown Corporations Governance and Accountability Act. And I'll just read the part of the act that's relevant here: 4-1, a corporation must, within three months of becoming subject to this section, have a roles and responsibilities record that is jointly developed by the corporation and the responsible minister. End quote.

Hydro became subject to this provision in September of 2017. I just want to clearly ask the CEO: Does the roles and responsibility document that she identified satisfy this provision within the Crown corporations and governance and accountability act?

Ms. Grewal: As government sets and defines the roles and responsibilities document, I would defer to government on your question.

Mr. Sala: I'll pass the question—or, pose the question to the minister.

Does the minister—can he confirm whether or not there is, in fact, a roles and responsibilities record, as is required under the Crown corporations governance accountability act? Is there a roles and responsibilities record in place that satisfies that provision within that piece of legislation?

* (14:20)

Mr. Friesen: In my one year of time in this role, the governance aspects of the relationship that determines the interactions appropriately between the board chair, the CEO and executive management and the minister's office has been a subject of conversation.

I believe that there was a former document, and it was our government that delved into the area of renewing those documents, so I can tell that member

that I did myself review roles and responsibilities, documents that were provided to me that were under development by my predecessor, actually.

And at this point in time, I can commit to him that I can let him know—I'll let him know when I can determine specifically what the state of those documents is and what is currently in place as that newer set of guiding documents has been developing. And why I'm saying that is I'm not simply sure of when that new roles and responsibilities set of parameters will be implemented and substitute for what was formerly in place.

So, I will endeavour to get that to the member.

Mr. Sala: Appreciate the minister's willingness to provide that document. And what I've heard him state here, on the record, is that there is a roles and responsibility record that satisfies the legislation, that provision, as written, and that they are not in violation of that legislation. That's what I've heard the minister state clearly today.

I look forward to getting that document from him as, from our perspective, that document does not currently exist. So looking forward to receiving that and getting clarity that they're not in contravention of their own legislation.

Manitoba Hydro received and made use of federal funds for the Birtle transmission line. And this is from the annual report, we see, quote, Received federal funds for the Investing in Canada Infrastructure Program under the Climate Change stream for the Birtle Transmission Project, which increased transmission capability between Manitoba and Saskatchewan. End quote. And that's from page 27.

Under what legislative authority did Hydro receive and make use of these funds?

Ms. Grewal: Manitoba Hydro is owned by the Province of Manitoba. The source of these funds is a fund that was created by the federal government called Investing in Canada Infrastructure partnerships or fund. It was a model that the federal government set up a few years ago where, on a per capita basis, funds were allocated to every province and territory and projects would qualify as long as it met certain criteria. One of the—one, it was for infrastructure funding. Another criteria was that it was focused on green.

And the Province had the ICIP funding, and they came to Manitoba Hydro and said, do you have any projects that might qualify under this criteria? And we

identified three projects, and we put together business cases for that, for the Province to consider as part of the overall use of the ICIP fund from the federal government.

The way that the program works is, for all costs that are within the scope of the ICIP funding, 50 cents of every dollar from—will be received from the feds. Therefore, 50 cents of every dollar, because we solely focus on those regulated projects, those regulated assets, projects that were already projects that we would be needing to invest in as Manitoba Hydro to ensure reliability, those funds are now going to be paid by the federal government versus our customers.

Mr. Sala: Did Manitoba Hydro require any type of special legal authority to receive those funds?

Ms. Grewal: We are not aware of any special legal authority required, as we are owned by the Province.

Mr. Sala: I'd like to just—further to that, did these funds have to flow through the Manitoba government prior to being made use of for the Birtle transmission line? That's to the CEO.

Ms. Grewal: Correct, the ICIP funding is an agreement between the federal government and the Province.

Mr. Sala: So, just to clarify, we've heard here in no uncertain terms that Hydro was able to receive funds directly from the federal government without any type of special legal authority, and they did not need to flow through the Manitoba government in any way. I appreciate that clarity from the CEO that she's offered us here today.

I'd like to move on to another area of questioning here, regarding rates. The passing of bill 36, which is referenced on page 32 of the annual report, will have a significant impact on hydro rates required to be charged to families and businesses to meet the debt-to-equity targets set out in that piece of legislation.

Not long after the bill passed, Hydro stated in local media that it was unable to meet the financial targets laid out for it in bill 36.

So, I'm hoping the CEO can share why they made that statement to media and why they concluded that they were unable to meet the targets in the bill.

An Honourable Member: Mr. Chair?

Mr. Vice-Chairperson: The honourable minister.

Mr. Friesen: Thank you for the opportunity to speak and revert to the previous conversation and correct the record.

The member is attempting to assert an untruth. I'll correct the record here and indicate, as I've indicated to that member during the consideration of the budget implementation and tax statutes act. He knows that, in BITSA, there was a reference exactly, by the advice of Legislative Counsel, that it was not, in fact, possible for Manitoba Hydro, as an owned entity by the government of Manitoba, to directly receive an award under the Investing in Canada Infrastructure Program. Rather, there was no mechanism by which the Crown corporation could receive an award by ICIP.

Though—even though Hydro did apply for this, and we are pleased that Hydro is in possession of these additional funds that will help with the refurbishment of the Pointe du Bois project that is designed to bring online additional hydro generation capability, and that planned refurbishment will help to increase the total kilowatt capability of Manitoba and Manitoba Hydro, it was, in fact, the case, directly opposite of what the member asserted, that it was necessary to establish legal authority, legislative authority, so the government could essentially receive the funds and immediately flow them through to Manitoba Hydro.

Mr. Sala: And yet, we heard from the CEO only moments ago that that was not, in fact, necessary and did not reflect the way that those federal funds were moved to Hydro to support the development of the Birtle Transmission Project.

I just want to actually just jump back here quickly because—just reflecting on some aspects of the annual report and tied to this question about what's core to Hydro, I just want to ask the CEO: Does Manitoba Hydro Utility Services Ltd. fall under the core mandate of Manitoba Hydro?

Ms. Grewal: Firstly, I would like to correct the statement just made. If there was any confusion I created, I want to clarify. The funds went to the Province. The agreement was between the federal government and the Province, and the Province then made the funds available to Manitoba Hydro for three specific projects.

Secondly, could you please restate the question?

Mr. Sala: Sure, I appreciate that.

And so, I had asked whether or not Manitoba Hydro Utility Services Ltd. is considered to be part of Manitoba Hydro's core operations?

Ms. Grewal: I believe you're referring to Manitoba–MHIUS is the division or 'subsidiary' within Manitoba Hydro International that was engaged, and is still engaged, in honouring the international consulting contract that we had executed.

As I stated earlier, due to concerns about reducing competitiveness, geopolitical risk and safety of those employees working in a number of Third World countries, as well as it is not core to our business, we made the decision to exit. And by exit, we're not pursuing new work in this area.

* (14:30)

I also would like to point out that this was–international consulting was work that other Crown-owned utilities did in the past, but both BC Hydro and Quebec hydro exited this business a number of years ago.

Mr. Sala: So, the CEO had previously stated that Manitoba Hydro International was the only subsidiary of Manitoba Hydro, but I just want clarity, because now she's stating that Manitoba Hydro Utility Services is part of Manitoba Hydro International as a subsidiary? And if that's the case, just hoping for some clarity as to why it's listed as being distinct within the annual report.

Ms. Grewal: I think there's some confusion here. MHIUS is the international consulting business that is part of—and structured as a subsidiary of Manitoba Hydro International.

Are you asking questions about MHUS, which is our meter-reading business on both the gas and electric side?

Mr. Sala: That is accurate, yes. And maybe—I'm sorry if things got lost in translation, we're throwing around a lot of acronyms, here. I'll state the full name.

Manitoba Hydro Utility Services, which in the annual report is listed as providing meter reading and related services to Manitoba Hydro, Centra and other utilities, is that another subsidiary of Manitoba Hydro that wasn't identified earlier or is that considered to be part of Manitoba Hydro International?

Ms. Grewal: My understanding is it's structured as a subsidiary of Manitoba Hydro but it is core to how we provide meter reading, which is the information necessary to accurately bill our customers for the electricity and natural gas that they—that we serve them with.

Mr. Chairperson in the Chair

Mr. Sala: So, to put a finer point on that, is it or is it not a core part of Manitoba Hydro's business?

Ms. Grewal: Ensuring we have accurate meter reads is core to the business of Manitoba Hydro.

Mr. Sala: And the annual report also lists that Manitoba Hydro owns Minell pipeline. Is that a core part of Manitoba Hydro's business?

Ms. Grewal: Minell pipeline remains core to Manitoba Hydro.

Mr. Sala: I'm going to go back to rate-setting questions here. I'd asked the question regarding—once bill 36 had been passed, Hydro stated in local media that it was unable to meet the financial targets laid out for it in bill 36.

Can the CEO share why Hydro made this statement to media and why they concluded they were unable to meet the targets in the bill?

Ms. Grewal: Firstly, there are a number of specific financial targets in bill 36. There are the targets that relate to rates and the rate path that we submit to the Public Utilities Board. And to clarify, what bill 36—is caps at a maximum to the lower of inflation or a maximum of 5 per cent if inflation is greater than or at 5 per cent, that rate increases are not to exceed inflation.

Secondly, within bill 36, our targets relative to our financial health, our debt equity structure. Currently, Manitoba Hydro, from a debt equity perspective, is 86, 87 per cent debt and 13 per cent equity.

And what does that mean? Forty cents of every dollar that our customers give us to deliver clean, reliable power is used to pay interest on that debt—not to reduce or pay down that debt, but to pay interest on that debt.

In bill 36, the Province has set debt equity targets that would bring us more in line with other Crown hydro utilities, which is, by 2035, an 80-20 debt equity. And as I said, we're 86, 87 per cent debt right now. And by 2040, a 70-30 debt equity test, which—it will pull us into a place where it's comparable to other Crown hydro utilities and where it strengthens our balance sheet to position us relative to being the Manitoba Hydro of the future and what's required to be successful in that environment.

With the rate cap at inflation and the debt equity target, and what that rate trajectory over the longer

term would look like using that rate cap, we would not have achieved the debt equity targets.

And the other point I want to make is, at the time, it was a bill; this will be legislation. And, as it is legislation, Manitoba Hydro will be required to comply with both.

Mr. Sala: I appreciate that information. And, you know, what we just heard here was that the CEO confirmed that the legislation that was passed by this government had internal contradictions that actually made it such that Hydro could not even raise its rates fast enough to meet the financial targets outlined in the bill, and that the bill essentially tied Hydro in knots. It was telling it to raise hydro rates as fast as it could; however, it had these other internal limitations that prevented it from doing that. So, it begs the question of who designed this bill, or why this bill was constructed in the way it was.

I'd like to ask the CEO if she can share what Hydro determined—what would have been required as a rate increase in order to meet the targets outlined in bill 36 before the government announced a reduction in water rental and debt guarantee fees?

Mr. Friesen: I'm appreciative of the opportunity to give an answer to the member's question. I'm actually quite surprised to have any question this afternoon pertaining to bill 36 from this member who himself insisted for months and months, misled Manitobans, saying that bill 36 was designed—he said designed—to require annual 5 per cent increases; a clear and deliberate misreading of the legislation. No wonder the Free Press said a strategy designed to invoke—incur fear and drive opposition to the bill. So, I'm really surprised to have any question from that member.

He knows the facts, as stated even by the CEO earlier this afternoon, which were that the government of Manitoba undertook historic action to lower both the debt guarantee fee payable by Hydro by 50 basis points and the water rental rate paid annually by Hydro. Both of those fees, incidentally, raised by the NDP, doubled by the previous government over a number of years.

This historic reduction by the government of Manitoba this fall, as the CEO indicated, led to the action of Manitoba Hydro to return to the PUB and actually amend their own application in respect of an interim rate and say, based on this historic action, we no longer require 3.6 per cent increases—please take note of the fact that those weren't 5 per cent increases,

as suggested by the member opposite—but essentially saying we'll take that 3.6 and we will reduce it to 2.0.

Not only that, but out of this application, Manitobans are seeing clearly that the path ahead looks like annual 2 per cent increases for years. And that means that, because of this work subsequent to the passage of bill 36, not only will Hydro be able to make and even get there faster on those two essential debt equity ratios in 2030 and 2040, but Manitobans will get the certainty of among the lowest rate increases in all of North America.

Contrast that to places like Nova Scotia with almost 9 per cent increases. Contrast that to Saskatchewan. Contrast that to provinces like New Brunswick.

The member has spent much of his career in this legislature of falsely asserting that, somehow, the government wants higher rates for Hydro, but the opposite is actually true. This government has, through these actions, protected ratepayers. It has given Hydro a path to stabilization, and I simply read from the press release that says that the significantly lower rate request by Hydro is due to the Manitoba government's recent decision to reduce what it collects from Manitoba Hydro.

* (14:40)

So, I want to set the record straight. And I'm wondering if the member will have any questions this afternoon on things like the massive cost overruns under the NDP off projects like Keeyask and bipole, and how the expert report on Hydro helps to provide a framework in which NDP government meddling in the future can never hamstring Manitobans and act as a protection against those actions by the former government.

Mr. Sala: Did Hydro discuss at any point the reduction of water rental fees or debt guarantee fees with government in the past year, and when did those discussions commence?

Ms. Grewal: My apologies. Could you repeat the question, as you were breaking up at the beginning of the question.

Thank you.

Mr. Sala: Yes, no problem.

Did Hydro discuss at any point the reduction of water rental fees or debt guarantee fees with government in the past year and, if so, when did those discussions commence?

Ms. Grewal: Manitoba Hydro has had ongoing discussions with government around our financial health and our balance sheet, and we had various discussions on various ways to solve this challenge that we were facing.

What we did do is, to the government, provide them with financial analysis as they were considering the options that were available to them in terms of assisting Manitobans in deleveraging Manitoba Hydro.

Mr. Sala: Were those options that were provided by Hydro to government delivered after Hydro made its rate application—the most recent rate application?

Ms. Grewal: I can confirm that there were ongoing discussions with government, as we have ongoing discussions on numerous topics, and those conversations were happening prior to our filing our application on November 15th.

Mr. Sala: I hope the CEO can confirm exactly when Hydro did learn about the PC government's reduction in the water rental fees and debt-to-equity fees. What was the specific date or approximate date that that was confirmed upon, not when it was discussed but when it was confirmed that government would be reducing those fees?

Ms. Grewal: I can confirm that government specifically made the statement or came to us officially to say we are intending to do this was after we filed on November 15th.

Mr. Sala: So, Manitoba Hydro went through the, you know, strenuous work of assembling a rate application, brought that to the Public Utilities Board and once that was filed, Hydro then heard from government that they wanted to reduce these fees.

Is that accurate?

Ms. Grewal: That is correct, though what I would like to point out is the revisions we made to our application as a result of the reduction in the debt guarantee fee and in the water rentals applied only to a limited number of sections of the application because the bulk of the application speaks to our cost structure and why our cost structure is as it is.

Mr. Sala: The reduction of water rental fees or debt guarantee fees was not mentioned at all in the Throne Speech. When did the government decide to make that decision?

And that question is being posed, of course, to the minister.

Mr. Friesen: Yes, the decision to undertake to lower historically those debt guarantee fees and water rental fees that were raised by the NDP government—doubled, in fact, in better economic times—was an ongoing discussion. As the member knows, I've been the minister for almost exactly a year, and at that point we undertook to see and study what those previous versions of this same bill contained.

That member knows that a new version of that bill for the sustainability of Hydro was reintroduced last spring. It was debated extensively in the Manitoba Legislature, and throughout that time government continued to do the work of government, which was to understand its fiscal position and to develop a strategy in respect of Hydro.

So, the member should understand that the best answer to his question is: the work was ongoing from the time I took the file, to understand what the latitude was of government, what the extent of the challenges of Hydro were that it was facing due to all the challenges and drawbacks of the NDP's approach to the dam construction and transmission line construction that are detailed in that expert report for bipole and Keeyask—arguably, four to five billion dollars of cost overruns, a dam that was built before it was needed, a process that circumvented the controls that were in place to ask the intelligent questions about needs for and alternatives to this approach. And, of course, that report now containing strong advice on how to better protect the ratepayer and taxpayer interest in future.

So, back to the question. That analysis began from the outset of my time in this file. It culminated in discussions that led me to propose to Cabinet to reduce those fees to help Hydro hit those targets and to maintain that low-rate advantage to Manitobans.

And, on the basis of that, that announcement was made. And Hydro did the work they did on their own analysis to return to the PUB and request 2 per cent—not the 5 per cent that the member opposite has been falsely asserting for now probably a year or two or three years—that was going to be the case. Arguably the lowest—one of the lowest rate increases right now in all of North America in some of the most difficult times, but moreover, more rate certainty, arguably, than any other jurisdiction in North America.

A good news story for all Manitobans and Manitoba Hydro.

Mr. Chairperson: I'll just do a time check for a moment. We've got about 18 minutes left, just so you know.

Mr. Sala: Appreciate the response. I mean, I think it's clear that it challenges the minister's credibility to think that somehow, while they had been considering this move, as he says, for some time now, that they suddenly decided to come forward with that after Hydro had put forward a rate application, is just patently ridiculous.

And it's quite clear that it's—likely was made in response to the fact that Hydro was simply unable to meet the targets that had been outlined in the bill, as Hydro came out and publicly stated, because they were—the targets required rate increases that were simply too high to be able to met within—be met within the framework of the bill, and so government had a big problem. Of course, we won't confirm that today, but we will move on.

The next question I'd have, I'd like to ask the CEO: Has Hydro paid any monies at all to Sandy Riley in 2021, 2022 or after, including expenses?

Ms. Grewal: I can confirm that Manitoba Hydro, in the last two years, has not paid anything to Sandy Riley.

Mr. Sala: Has Hydro signed any agreements with Sandy Riley granting him access to corporation documents or confidential information?

Ms. Grewal: Manitoba Hydro has not signed any agreements with Mr. Riley as we have not engaged directly Mr. Riley.

My understanding, though, is that there is a nondisclosure agreement that has been executed between Mr. Riley and government.

Mr. Sala: I'd like to ask the minister if an agreement has been put in place between his government and Sandy Riley which grants him access to corporation documents or confidential information?

Mr. Friesen: For posterity, let's just clarify that the member is referring to the special adviser on Manitoba Hydro that the government did indeed engage, my guess would be now probably about nine months ago—in and around there—and there was public discussion thereafter about that.

I can indicate that I continue to meet with some frequency with Mr. Riley. He, we believe, is well situated to provide guidance on Hydro issues as a former Hydro chair himself, as a well-known and well-respected business person in Manitoba and as a

philanthropic Manitoban who cares deeply about this province.

* (14:50)

I've also made clear publicly that we're under no compulsion to accept the advice of Mr. Riley. He offers his opinion, I offer mine, I thank him for his, but his interactions and the background he brings has been invaluable in our decision making.

To the first question—or, I guess, to the member's question, there is an agreement, of course. It would be prudent always to have an agreement with such an individual that would define the terms of that engagement. It would include terms of reference, and it would provide for non-disclosure, and on the subject of remuneration, there has been none.

Mr. Sala: Yes, I can confirm, as the minister stated, that there is an agreement. We have a copy of it here, fortunately, and it does state that the primary point of contact for the advice that is to be offered will be the minister, and that Mr. Riley will be asked to participate in meetings involving other ministers, advisers, Manitoba Hydro executives and other experts, and that he would be reimbursed for out-of-pocket expenses.

So I'd like to ask the minister, just for clarity: Has Mr. Riley been compensated for any out-of-pocket expenses up to date? And maybe much more importantly, what are the key pieces of advice that he has offered to the minister to date?

Mr. Friesen: So, a two-part question from the member. So maybe we'll start with the last part, what is the advice that Mr. Riley has offered on Manitoba Hydro?

I believe my first—in my first meeting with that special adviser to Hydro, it was broad range and we probably talked about 15 topics. We talked at length about the challenges faced by Hydro because of NDP meddling in Manitoba Hydro. We talked about the \$5-billion overexpenditure in respect of the Keeyask Generating Station and Bipole III. We talked about the challenges of governance because, you know, now, even revealed in the expert report on bipole and Keeyask, Hydro—or the government, essentially, under the NDP, didn't do their job. The minister wasn't doing their job. It said Cabinet wasn't doing their job. The interactions between Hydro and government didn't exist. There was no Treasury Board analysis or sign-off of these multi-billion-dollar projects. And so we spoke at length about that.

But our conversations have been much wider ranging. We've talked about the transition to green energy at length. We've talked about contracts and the mix, if you will, of the utilization of Manitoba Hydro-generated power in respect of our domestic requirements, our export domestically and internationally and the mix of signed contracts and spot market revenues. We talked about historically where that's been and where it's fluctuated. We've talked about electric vehicles. We've talked about hydro—or I should say hydrogen and what that particular—the—those technical—logical advancements may mean for Manitoba Hydro.

We've talked about what it means to sustain Manitoba Hydro at its very unenviable debt equity ratio, a ratio that NDP party has continued to say in this province simply doesn't matter, even though we had the CEO for Hydro today indicate that 40 cents on every dollar of revenue goes now not to debt retirement, but simply to service the debt of Manitoba Hydro. And we've heard the NDP say these problems are all self-correcting, which they're not.

So, those are some of the types of conversations. If we had unlimited time I'd be able to go into much more detail about this kind of conversation.

On the other topic, I can recall signing no bill of any kind for the reimbursement of expenses, and I will investigate personally to see—like, I don't know if any case, there—if there's been fuel or a per diem, but I'm not aware of any.

But I can say, clearly, there has been no remuneration of any kind to Mr. Riley, which was actually his insistence and my own acceptance of that. And it was exactly for reasons like this that he sought to make that expressly indicated in the contract: no remuneration.

Mr. Sala: It is very generous of Mr. Riley to continue offering his advice to government without any cost. Unfortunately, Manitobans do have some reason to be concerned about that advice, given it was under his leadership that Hydro had proposed a 7.9 per cent rate increase.

And, of course, you know, hearing today the minister sounds like he's developed a good, close-working relationship with Mr. Riley, which is positive that they've patched things up since his former leader ousted the former board chair from Hydro.

Moving on, I'd like to ask the CEO: has Manitoba Hydro signed a new or extended an existing fixed-rate

contract for export since March of 2021? And if yes, with what jurisdiction?

Ms. Grewal: To the best of my knowledge we have not signed any new or extended export contracts with the parties we currently have export contracts in place with.

That being said, Manitoba Hydro has ongoing discussions with the third parties as we look at other opportunities to get the greatest value from every drop of water, every green electron or electricity that currently is not needed in Manitoba domestically.

Mr. Sala: Okay, so we understand that—confirm that—the CEO has confirmed that there have been no new or no extensions of fixed-rate contracts for exports into March of 2021.

I'd like to ask with the Keeyask generations—generating station coming online, can the CEO of Manitoba Hydro provide the committee with some comments on the current and forecasted availability of power for firm power sales.

Ms. Grewal: I would recommend that you refer to our general rate application where we present, based on what we know today prior to completion of the IRP, what we anticipate relative to supply versus a demand and what would be available in the form of surplus firm electricity. And I'm assuming you mean firm dependable, that is capacity versus energy, which is water dependent.

Mr. Sala: Can the CEO share what percentage of Manitoba Hydro exports to the US is contracted versus sold on the open market or, said differently, which is sold via the spot market.

Mr. Chairperson: And before I give the floor to Ms. Grewal, just another time check: about eight minutes remaining.

Thank you.

Ms. Grewal: I would refer the member to the annual report for the details or the term in which we're talking.

However, I would like to provide additional context which is: firm are dependable contracts that we are legally, contractually bound to provide that energy—those electrons—to the third parties of the contracts.

The spot market, the opportunity market, is water dependent, and as we discussed earlier, what is available for those sales in those markets is a function of our current water levels.

So, as I spoke to earlier, when we experienced a drought, proportionately there was much less available on the spot market side for us to sell; whereas this year there has been much greater of an opportunity, given the very high water levels we've had, and water levels so high that we're actually spilling water to ensure we operate within the terms of our water licences.

Mr. Sala: Do US customers pay a premium for the renewable attributes of Manitoba Hydro's electricity and, if so, are these premiums on contracted power or on the open market?

Ms. Grewal: As the contracts are confidential contracts, I can't specifically speak to premium, although I'm assuming you're referring to premium relative to selling that electricity domestically.

In terms of the spot market sales, those are opportunistic and we sell that energy based on what the pricing is in the market at any point in time. And we do not have any control over what the pricing is in the spot market because it is a market dynamic—supply and demand—which determines at any minute, any point in time, what the value is of any surplus electrons we have that are market and spot-based, water-based.

* (15:00)

Mr. Sala: I'd like to ask, is Manitoba Hydro targeting the new power from Keeyask to be all for export sales, or is a percentage being targeted towards domestic needs?

Ms. Grewal: As I spoke to earlier, we operate Manitoba Hydro as an integrated system. We do not specifically look at any one of our 16 generating stations and say the electricity from this generating station will be either used domestically or sold in the export market. And that also applies to Keeyask. It depends on what the needs are in Manitoba. It depends on the water levels. It depends on many factors.

But we do this and optimize the entire generating supply versus look at any specific generating station as a stand-alone.

Mr. Sala: And can Manitoba Hydro or the CEO share the number per current contracts to the US that are soon expiring? How many current contracts in place

will be expiring over the next two years, and what's the estimated megawattage that that will free up?

Ms. Grewal: I don't have the specific details requested with me, and we will take that under advisement.

Mr. Sala: What is Manitoba Hydro's general approach as it considers expiring contracts currently committed to US exports? Is Manitoba Hydro considering targeting a certain percentage towards domestic Manitoba needs, or is Manitoba Hydro considering enhancing its domestic export approach similar to what has been done with the Birtle line for further exports to Saskatchewan?

Ms. Grewal: As I spoke to earlier in our discussion today, we are in the process of developing our first-ever integrated resource plan. The integrated resource plan will actually inform the questions that are being asked today of us in terms of how we will look at energy, what is our strategy relative to domestic use, including for economic development within the province, the electrification of transportation, the electrification of industry versus what will be available that is not needed domestically, where we will optimize it by looking at opportunities to sell that to third parties in the five—four or five markets we operate in.

Mr. Chairperson: The time is now 3:03. We've got three minutes remaining. I'd like to keep the last minute for the business of the committee.

Mr. Sala: At the July 26th, 2022 presentation to the Minnesota Public Utilities Commission, Manitoba Hydro stated that load growth was generally flat and Manitoba Hydro was seeing minimal electrification in the heating space and EV space.

Does Manitoba Hydro foresee any shortages of power being able to support electrification up to 2030?

Ms. Grewal: As I stated earlier, it would be premature for me to comment on that until we complete the integrated resource plan work, which will inform, based on consultation with all the stakeholders, including the trucking companies, et cetera, including the City of Winnipeg on the electrification of buses, that will inform what that will or will not look like, and if there is sufficient electricity domestically to meet those needs.

I would say, though, if you were to look at our application to the Public Utilities Board, it indicates at

this point in time, pre-completion of the IRP, that we will have sufficient electricity to meet the needs as we anticipate prior to completion of the IRP.

Mr. Sala: And is Hydro currently considering demand management strategies such as curtailable rates for industrial customers, time of use rates, smart demand response services for buildings as offered by Hilo, the Hydro-Québec subsidiary?

So, I guess to summarize that question, is Hydro considering the implementation of demand management strategies?

Mr. Chairperson: Ms. Grewal, if you could do it in 30 seconds, I'd appreciate it.

Ms. Grewal: As part of the IRP work, we are looking at all of the levers and tools to manage supply and reduce supply, and Manitoba Hydro is not the only party that has a role to play in that. Efficiency

Manitoba, as a Crown corp., has a material role to play.

Mr. Chairperson: Thank you, Ms. Grewal and Mr. Sala.

As our time is soon coming to an end, I'll put a question on the report.

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31st, 2022—pass.

The hour being 3:06 p.m., what is the will of the committee?

An Honourable Member: Committee rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 3:06 p.m.

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