

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

*Chairperson*  
*Mr. Blaine Pedersen*  
*Constituency of Midland*

**Vol. LXXVI No. 5 - 1 p.m., Friday, January 14, 2022**

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Forty-Second Legislature**

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**LEGISLATIVE ASSEMBLY OF MANITOBA  
THE STANDING COMMITTEE ON CROWN CORPORATIONS**

**Friday, January 14, 2022**

**TIME – 1 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Blaine Pedersen (Midland)**

**VICE-CHAIRPERSON – Mr. Josh Guenter (Borderland)**

**ATTENDANCE – 6 QUORUM – 4**

*Members of the committee present:*

*Hon. Mrs. Guillemard, Hon. Mr. Wharton*

*Messrs. Guenter, Kinew, Pedersen, Sala*

**APPEARING:**

*Mr. Dougal Lamont, MLA for St. Boniface*

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

*Ms. Marina James, Chairperson, Manitoba Hydro-Electric Board*

**MATTERS UNDER CONSIDERATION:**

*Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2021*

\* \* \*

**Clerk Assistant (Mr. Tim Abbott):** Good afternoon, everybody. Thank you for being prompt. Will the Standing Committee on Crown Corporations please come to order.

Before the committee can proceed with the business before it, it must elect a new Chairperson.

Are there any nominations?

**Hon. Sarah Guillemard (Minister of Conservation and Climate):** I would like to nominate Mr. Blaine Pedersen for Chair.

**Clerk Assistant:** Mr. Pedersen has been nominated.

Any other nominations?

Seeing none, Mr. Pedersen, please take the Chair.

**Mr. Chairperson:** Good afternoon, everyone. Our next item of business is the election of a Vice-Chairperson.

Are there any nominations?

**Mrs. Guillemard:** I would like to nominate Mr. Josh Guenter for Vice-Chair.

**Mr. Chairperson:** Mr. Guenter has been nominated.

Are there any other nominations?

Hearing no other nominations, Mr. Guenter is elected Vice-Chairperson.

This meeting has been called to consider the Annual Report of Manitoba Hydro-Electric Board for the fiscal year ending March 31st, 2021.

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

**Mrs. Guillemard:** I would propose that we sit for a two-hour time frame with five minutes at the end to pass the report that we are considering today.

**Mr. Chairperson:** Is that in agreement with the committee?

**Mr. Adrien Sala (St. James):** I think we only need two minutes at the end. It usually takes all of 30 seconds, so not sure we need the five-minute buffer at the end there.

**Mr. Chairperson:** Okay, so if it's agreed then, the committee will sit for two hours, allowing two minutes before the end of the two hours to pass the report. Is everyone in agreement with that? *[Agreed]*

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

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

As Minister of Crown Services, I am here this afternoon to present the annual report of the Manitoba Hydro corporation for the fiscal year ending March 31st, 2021.

I would like to welcome the Manitoba Hydro chair, Marina James, and the Manitoba Hydro chief executive officer, Jay Grewal, as representatives of the Crown corporation.

My deputy minister, Bernadette Preun, and special assistant, Eidan Hassan, have also joined us here today.

As attendees to the meeting will know, Manitoba Hydro has the critical role of supplying the electricity and natural gas needs of Manitobans that helps drive our economy and maintain our quality of life.

To that end, I have tasked Manitoba Hydro to continue to refine and modernize the ways that the corporation conducts business in an effort to focus more the—its critical core business, improve its financial health and most importantly, provide the people and businesses of Manitoba with reliable, clean power.

Along with government as a whole, Manitoba Hydro also is taking strides to strengthen their relationship with Indigenous communities in the spirit of reconciliation. I can attest that Manitoba Hydro is becoming more streamlined, accountable and transparent in the operation of the corporation and its relationship with our government and other levels of government throughout our province.

Despite the challenges that COVID-19 pandemic continued to have in Manitoba, I know that the board of Manitoba Hydro and the staff at the Crown corporation performed exceptionally in carrying out their mandate, all while continuing to deliver services in a rapidly shifting pandemic environment.

I know that the board and the staff of Manitoba Hydro will continue to deliver services to the best of their ability as we face yet another wave of COVID-19.

Jay Grewal, president and CEO of Manitoba Hydro, is now ready to make opening remarks and, along with the chair of Manitoba Hydro board, to respond to questions relative to the corporation's operations while I respond to any questions that involve government policy.

Thank you, Mr. Chair. We look forward to discussions this afternoon.

**Mr. Chairperson:** We thank the honourable minister.

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

**Mr. Sala:** Yes, I do.

**Mr. Chairperson:** Mr. Sala, go ahead.

**Mr. Sala:** Good afternoon to the minister and his staff and, of course, to Ms. Grewal and Ms. James. Thank you so much to everyone for being here today.

We know that, in the past seven months since we last met, a lot has happened with Manitoba Hydro as

a corporation, from continuing to deal with COVID-19 and drought conditions to directives being provided regarding the Wall report, export opportunities commencing with more units of Keeyask coming online.

Obviously, we have lots to discuss here today. And, of course, with bill 35 now being dead, the public can for now once again be confident that rate setting will be done using a transparent and independent process.

So, again, lots to discuss. You know, we have a new Premier (Mrs. Stefanson), but we continue to see interference, unfortunately, in our Crowns, including Hydro, and with that comes increased risk of higher rates for Manitobans and further privatization at Hydro.

So, with those brief opening remarks, I look forward to a productive and meaningful conversation today and thank everyone for their time, and looking forward to the discussion.

**Mr. Chairperson:** We thank the member for his statement.

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

Ms. Grewal, please go ahead.

Ms. Grewal, you have to unmute yourself.

**Ms. Jay Grewal (President and Chief Executive Officer, Manitoba Hydro):** Thank you. My apologies.

Good afternoon. I'm pleased to appear before the Standing Committee on Crown Corporations to answer your questions on the annual report for the year ended March 31, 2021. This is the third time I'm appearing before you, and the fact we're doing it virtually is—the second time—speaks to the challenges of the past year not only for us at Manitoba Hydro but our province and country as we continue to deal with the effects of the global pandemic.

Before I move forward, as is practice for us at Manitoba Hydro, I'd like to do a land and territory acknowledgement. We are joining you today from Treaty 1 territory and the homeland of the Métis nation where, of course, Manitoba Hydro has a presence across this province on Treaty 1, Treaty 2, Treaty 3, Treaty 4 and Treaty 5 lands and the original territories of the Anishinabe, Cree, Oji-Cree, Dakota, Dene peoples and 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 and we remain committed to establishing and maintaining strong, mutually beneficial relationships with Indigenous communities.

Before we move to my answering your questions, I'd like to provide a brief overview of the past year at Manitoba Hydro. Much has happened at the utility since I appeared before you seven months ago. We are well on our way to transitioning to become the Manitoba Hydro of tomorrow under our Strategy 2040, which is our 20-year strategic plan. We initiated this in 2019 to become a more customer-centred, efficient utility of the future by being ready to respond to the global trends of digitization, decarbonization and decentralization that will impact the evolving energy landscape.

Through the development of Strategy 2040 a new organizational mission statement was set to help all Manitobans efficiently navigate the evolving energy landscape, leveraging their clean energy advantage while ensuring safe, clean and reliable energy at the lowest possible cost. The strategy also encompasses five pillars, which include the following commitments: to provide safe, reliable energy that responsibly meets the needs of Manitobans; to serve customers efficiently [*inaudible*] their energy options and make informed choices; to maximize the benefit of Manitoba's clean, dependable, reliable energy infrastructure; and to keep costs as low as possible while providing—

**Mr. Chairperson:** Ms. Grewal, we're getting some interference, here. It's interfering with your speaking. We're just going to check here technically and then let—have you proceed. Just—

\* (13:10)

Minister Guillemard, can you hear a buzzing noise coming through—yes, it's coming through to Minister Guillemard also. Just give us a moment here, please.

Ms. Grewal, you can continue on at—just—you'll have to unmute yourself again, and we'll see if it works for us here.

**Ms. Grewal:** Thank you. We have our IT professionals standing by in case we need to do anything at our end.

We all know Manitoba Hydro is already well-positioned to play an important role in shaping the

changing energy landscape for the benefit of this province. Over 97 per cent of the electricity generated in Manitoba is from renewable, virtually emission-free hydro power, with more than—additional 2 per cent from variable wind generation.

Under Strategy 2040, we want to help the province and the country decarbonize. And, as a vertically integrated utility, our goal is to be a trusted energy adviser to Manitobans today and tomorrow.

I'd now like to provide a brief update on what we've accomplished so far on Strategy 2040. An example is: we launched our new customer portal and a new Manitoba Hydro app for smartphones. This allows us to better engage with our customers more effectively and in the manner that they want to manage their bills and engage with us. As of today, we have approximately 241,000 active customer portal accounts, which is almost 40 per cent of all Manitoba Hydro customers, and almost 100,000 customers have downloaded the Manitoba Hydro app.

Our customers are choosing to use these new options to manage their relationship with us. For example, in 2019, 65 per cent of our customer engagements were over the phone, speaking with one of our reps at our customer contact centre. Only 35 per cent of our customers contacted us online. However, in 2021, those proportions have inverted: 65 per cent are now self-service online, and 35 per cent call our customer contact centre.

In terms of research on customer experience, 95 per cent of our customer portal users indicated our online account is as good or better than any other service utility portals they use, including telecom, take—cable, Internet and water.

Most recently, and what we're very excited about, is we've launched our first-ever integrated resource planning process. It's one of the critical initiatives identified in Strategy 2040. The IRP is—as it's called—will help us better understand our customers' perspectives on the changing energy landscape, their evolving energy needs, and what they value when considering their energy supply. The IRP will guide decisions on how Manitoba Hydro meets the long-term energy needs of its customers and the province when we consider factors such as the condition of existing infrastructure, energy policy, the evolving state of customer demand versus supply, climate change, changing market conditions and emerging technologies such as local energy storage, rooftop solar, electric vehicles and public transit.

The first part of the IRP was a public survey we launched on our website in early November, which closed mid-December. Almost 15,000 customers participated in the survey, and information from that survey and further engagement plans over 2022 will help inform our first ever IRP, which we anticipate will take 18 months to complete.

The full IRP analysis will allow us to understand the future customer demand for energy and assess all supply options, including non-Hydro assets such as behind the meter, Efficiency Manitoba programs, potential new rate structures, et cetera. It will also inform our investment decisions on physical system assets, gas and electric, including what needs to be done to prepare the grid for the new energy landscape.

I'd also like to provide a quick overview of the Keeyask project, the largest capital project undertaken ever in Manitoba Hydro's history. I'm very pleased and proud to say we have six of the seven units—generating units—now producing power at Keeyask. But not only are they online, I'd like to point out we're also six months ahead of the schedule. And we were able to achieve this even with COVID and the various challenges that presented. Unit 7 went in as late as Monday, with unit 6 to follow in a few months once the final components are installed.

We're also very pleased to say that we will meet the \$8.7-billion control budget. To date, we've spent \$7.8 billion, or about 90 per cent of the control budget.

Once in service later this calendar year, Keeyask will add approximately 4,400 gigawatt hours of renewable, dependable electricity to Manitoba's total supply. That's enough electricity to power 400,000 homes and it's reliable electricity our customers can count on.

I'd also like to talk about the achievements that we've all collectively achieved despite the challenges posed by COVID-19. It's been almost two years since the pandemic began, and our protocols to keep our employees and customers safe remain in place and are working well.

Currently, approximately 50 per cent of our staff continue to work remotely to reduce the risk of transmission to our employees, our customers and the public. The other 50 per cent of our employees continue to support our customers each day, responding to emergencies and outages in the field and continuing to improve the reliability of our system that Manitobans have depended on through the pandemic.

We've also recently updated our vaccination and rapid testing policy to further protect our customers and employees. So, in late December we also made the decision to postpone our return to office, which we had planned for January, until further notice based on the worldwide concern for the variant.

We continue to follow public health guidelines. And I want to take a moment to acknowledge our front-line electric and gas employees, who, in my view, provide an essential service to all Manitobans in bad weather and in difficult circumstances. Their role in ensuring the rest of us have the energy we need to work safely from our homes, run our businesses, power our hospitals and keep our 'privance'—province moving forward cannot be understated. And I'm very proud of each of these employees who've adapted to new work method and techniques in the field again and again and to a virtual environment. And I thank them all.

More recently, there's been a lot of discussion about our interim rate increase—

**Mr. Chairperson:** Ms. Grewal, your time has expired.

**Mr. Josh Guenter (Borderland):** Is there leave for the—Ms. Grewal to finish her statement?

**Mr. Chairperson:** Is there leave from the committee to allow Ms. Grewal to finish her opening statement? *[Agreed]*

So, Ms. Grewal, if—you can continue to complete your statement.

**Ms. Grewal:** Thank you. I appreciate that.

More recently, there's been a lot of discussion about our interim rate increase at the PUB and the impact of the drought on our finances. As you know, Manitoba and the entire prairie region have experienced record-low precipitation from last year through to this fall. As a result, water infills from southern portions of the watershed, which supply our generating station, are well below normal. They are actually the lowest in over 40 years at some locations. And this includes the Saskatchewan, Assiniboine, Red and Winnipeg rivers.

What are the impacts of the drought? At its most basic level, drought means Hydro is unable to produce the same amount of electrical energy as we have in recent years and, therefore, we have less to sell as surplus energy to our neighbours on the opportunity or spot market.

\* (13:20)

By way of background, these extra provincial opportunity sales generate important revenue that helps maintain our historically low domestic rates, which are amongst the lowest in Canada and in North America. I should add, though, and want to clarify that we continue to meet our contractual obligations, both domestically, as well as on the firm contracts—sales contracts we have in place.

Now, the financial impact of the drought: the decrease in the net extra provincial revenue between the '21-22 budget and the current forecast is significant. The forecasted reduction in net export revenues is \$398 million. That is a 78 per cent decrease when comparing the budget to the original forecast.

As a result of this significant reduction in extra provincial revenue, the updated forecast, based on the recently approved PUB 3.6 per cent rate increase, projects a net loss of \$203 million. And that swing occurred within one year. That swing is a total swing of \$393 million from the positive net income that we had originally budgeted.

As you would expect, I am very concerned about the financial health of Manitoba Hydro, and I believe all Manitobans should be. The financial impact of the drought and our major capital projects coming into service, which are Keeyask, Bipole III, the Manitoba-Minnesota Transmission Project, required a 5 per cent rate increase, which is what we presented evidence to the PUB to approve. The drought component of the 5 per cent reflected a multi-year approach to address this \$393-million impact of the drought. With the net income loss of \$203 million, Manitoba Hydro will have to borrow, in the debt markets, \$379 million to pay for core operations.

And by core operations, what do I mean? That's not Keeyask, that's not Bipole III, it's not the major capital projects; it's core operations, which is to keep the lights on and the gas flowing, and we're borrowing this in '21-22.

To say the least, this is a staggering amount. This further weakens our debt ratio to 87 per cent debt equity, and that is amongst the highest for a Crown utility in Canada. The interest costs on the amount that we now additionally have to borrow is approximately \$14 million per year, which is the equivalent to 80 per cent of a 1 per cent increase in rates: 0.8 per cent.

Additionally, I'd like to point out that 40 cents of every dollar our customers pay us to keep their lights on and the gas flowing goes to paying interest on our debt, and that is approximately twice what is normal for other Canadian Crown utilities.

The unfortunate reality is the current level of debt has tied our hands and that we have very little ability to deal with uncomfortable risk—inherent risk in our business, which we'd seen materialize over the last two years. Whether it's drought with low water condition, whether it's the storm of the century and whether it's wildfires, collectively, over the last two years, this has increased costs for Manitoba Hydro—costs that are totally unexpected—by \$500 million.

We believe a 5 per cent rate increase not only protected Manitoba Hydro's health, it protected our customers from the possibility and the reality of even higher rate increases in the future. That being said, even with a 5 per cent rate increase, even with 40 cents of every dollar our customers give us being used to pay interest—and with other Crown utilities, it's typically 20 cents of every dollar, we still have the second lowest electricity rates in Canada.

Despite the challenges of the drought, customers can be ensured that Manitoba Hydro and its employees are committed to providing them with the energy they need today, tomorrow, reliably and as affordable as possible. And we believe Strategy 2040 and our focus on building Manitoba Hydro as the energy provider of the future will protect our customers' best interests in the long term, with wider choice about their energy needs and continued affordable rates.

Finally, I would like to provide you with an update on our implementation of the recommendations in the Wall report. We fully co-operated with the commissioner during the research phase, and we continue to work with government's projecting and the expert panel as they develop government's response to the recommendations. And this work includes understanding the implications of the recommendations, including cost implications, as we continue to deal with the effects of the drought.

Thank you for giving me additional time to share my initial thought, and I look forward to answering your questions on our annual report for the fiscal ending March 31, 2021.

**Mr. Chairperson:** Thank you, Ms. Grewal, for your comments.

Ms. Grewal, there's still—our people here are telling us there is still a small buzzing sound or feedback coming from the Zoom call when you are speaking. If you would check, see if there's any other electronic 'evice'—devices near your microphone that could be causing this, and we'll continue on as you check for that.

So now we will—the floor is now open for questions.

**Mr. Sala:** Thank you, Ms. Grewal, for the summary you provided.

I just want to begin by asking Ms. Grewal where she is joining us from today.

**Ms. Grewal:** I am joining you from the boardroom in Manitoba Hydro's offices.

**Mr. Sala:** Thank you. And same question for Mrs. James.

**Ms. Marina James (Chairperson, Manitoba Hydro-Electric Board):** I'm joining from my offices at 1240 Portage.

**Mr. Sala:** Thanks very much for that.

I'd like to just start by talking a bit about the impacts of COVID. Obviously, a huge portion of our province is currently overwhelmed with Omicron, and hoping Ms. Grewal can explain if the recent surge in COVID cases in Manitoba is having any impacts to services and projects such as power restoration services or at the Keeyask camp.

**Ms. Grewal:** Like every business and organization, we are and continue to be impacted by COVID-19. That being said, we early on learned how to adapt to the implications of COVID and we have taken numerous new protocols to ensure that our employees and the public remain safe.

Additionally, I'd like to point out, as Manitoba Hydro, we deal with many 'crises' that require redeployment of our resources, including most recently an eight-week strike by the IBEW this spring where we demonstrated that we ensured reliability while still navigating when a large part of our workforce was on a rotating strike.

So we continue to amend our protocols and we continue to keep reliability as strong as ever.

**Mr. Sala:** I thank Ms. Grewal for the response.

Can she just describe a bit about what types of approaches have been implemented as it relates to keeping our—the folks that are restoring power safe?

So, obviously, with the significant increase in the level of transmissibility of Omicron as a variant, that's probably changed the landscape, I would assume, for those workers who are doing that important work. I'm talking, of course, mostly about IBEW workers here.

Has anything changed in terms of policy or approaches on that side to help ensure that those workers stay safe?

\* (13:30)

**Ms. Grewal:** Absolutely, we continue to adjust our protocols as circumstances change. The kind of protocols that we implemented is we've reviewed over 1,000 safe work procedures and changed them, and we did that early in the pandemic because we took it very seriously.

Secondly, N95 masks are being made available to all employees who continue to work outside of the home.

Thirdly, another example would be we only have one person per vehicle travelling, and it's something I always watch for to ensure, whenever I am in my vehicle and on the road. Additional protocols that we've put in place are about the physical distancing and the requirement if you are indoors to ensure you wear a mask unless you've got, I believe, that 20-foot distance.

We also have implemented that we've got a program application in place where employees have the right to choose to declare whether they're vaccinated or not, and those who are not vaccinated will undergo PCR testing within a maximum of 48 hours of them appearing on the job site or the work site. Currently, as declared by our employees, 92 per cent are fully immunized, and 8 per cent undergo the PCR rapid testing.

**Mr. Sala:** I thank Ms. Grewal for the response. When is Hydro expected to submit their general rate application to the Public Utilities Board? *[interjection]*

**Mr. Chairperson:** Sorry, Ms. Grewal, I need to recognize you first, and I believe you're on mute, so.

Go ahead, Ms. Grewal. You're good to go now.

**Ms. Grewal:** Thank you.

As per the directive that we were provided in the fall by government, we are to submit a multi-year general rate application before November 15th. Additionally, with respect to the 3.6 per cent rate increase that the PUB provided, that is an interim



rate increase and it's contingent on us also submitting a rate application, a whole GRA, by or before November 15th.

**Mr. Sala:** Thank you for that response.

Has Hydro begun work on the integrated resource plan? I think we know that it has, but can the CEO please provide a summary of the work that has been done to date?

**Ms. Grewal:** In terms of the integrated resource plan, as I stated earlier, that is the first integrated resource plan Manitoba Hydro has ever undertaken. Initially, we were in the planning stage to start this process.

What we did was in November of this year, the first step in terms of public engagement was we issued a survey to all of our customers, who could respond either online or in a paper-based form. The number of employees, I will just—the number of customers that actually responded to that, I believe, is approximately 15,000. So 15,000 completed the survey. The team is now taking the data from the survey and analyzing it to understand, relative to the questions that we were asking about various options, to understand what our customers are telling us, and in the spring we will then bring that back to our customers to engage and to further refine and discuss the integrated resource plan.

We anticipate the integrated resource plan will take 16 to 18 months to complete, and we anticipate it will be finalized in the summer of 2023.

**Mr. Sala:** I appreciate the response.

Can Ms. Grewal maybe update us in some of what we might expect to be some of the key contents of that integrated resource plan?

**Ms. Grewal:** It would be premature for me to speculate as to what would be the content of the integrated resource plan because it will depend upon what our customers are telling us that they want in the future and we need to understand both the supply and the demand side to—which will then inform the integrated resource plan.

**Mr. Sala:** So I understand it's the—the CEO is suggesting that the integrated resource plan will be largely driven by the inputs from Manitobans. And, of course, I can understand the importance of ensuring that Manitobans have an opportunity to provide a say on how they want to see the province help to meet their energy needs. But, you know, when I think about the average Manitoban, they want a cold beer and they want their house to be warm. They want easy access to be able to pay their bill.

But beyond that, I guess, I'm hoping the CEO can elaborate as to what it is about the inputs from Manitobans that she expects will help come to form the basis of that integrated resource plan, beyond meeting those basics. Can she just elaborate a little bit as to what she expects in terms of the overall direction of that IRP?

**Ms. Grewal:** You know, I think there's—as I touched on earlier, there's—the IRP looks at both supply and demand, and the IRP will look at all of the choices and options Manitobans want to consider. So, on the supply side, solar, wind, behind-the-meter technology there on the—you know, battery storage. On the demand side there are things like—electrification of transportation would be, you know, one key one.

Also, understanding—and when we say customers, I want to remind the committee that we have a large customer base, and our residential customers are actually about 40 per cent of our customer base. The remaining 60 per cent are industrial customers, commercial customers, small-business customers.

And we will be engaging with all of those customers to understand what they are thinking of and how they intend to use electricity going forward, including to what degree do they—will they be relying more on our green, dependable energy. We'll also be engaging to understand from an economic development perspective what may be happening in the province, given our green, dependable energy that does not attract carbon pricing.

So those are just, off the top of my head, just some of the things that you should anticipate seeing being reflected in the integrated resource plan.

**Mr. Sala:** Thanks so much for that response.

You know, we know that that survey was sent out to Manitobans, I believe in support of the development of the IRP, or at least that's what I understand, and some of that survey focused on asking questions around, you know, when consumers would want to be—when would—they would support using dryers or dishwashers, if they would support using them at night or at other times of day, which seemed to allude to demand management or demand response type of approaches.

So I'm curious, you know, in addition to the slide deck, which was revealed last year, relating to the Hydro 20-year strategic plan, which suggested that Hydro is looking at time-of-use structures, there seems to be some exploration of time-of-use and demand response. I'm wondering if Ms. Grewal could

explain any discussions that have happened around time-of-use fee structures or—and any information she could provide about where she thinks Hydro is going in terms of the use of demand response or time-of-use approaches.

**Ms. Grewal:** So, time-of-use rates are something that are present in a number of provinces, and I just want to clarify a couple of things.

What is time-of-use rate? They're pre-established rates that are established through the regulatory process. So it will be the PUB that will be making decisions here, but it—what it does, it signals—it sends price signals to our customers that may cause them to change when they use energy. And if they use it at times when it's not peak, there may be price benefits when we're looking at how we shape peak demand, which is something that we're always very conscious of. So, those are what time-of-use rates drive to achieve, and they're already present in higher cost jurisdictions.

\* (13:40)

But we want to be clear we were just asking questions; is that something our customers would like to see—time-of-use rates, different pricing signals at different points in time. We've not gone any further beyond that other than asking the question.

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

So, would the CEO then suggest that she sees a future use or utility to pursuing time-of-use rates here in Manitoba?

**Ms. Grewal:** Again, that would be speculative because we need to understand what our customers would like and, secondly, as I said, it would be something that the PUB would make a decision on.

And more analysis has to be done, and this work will be informed by the integrated resource plan.

**Mr. Sala:** Has Hydro begun any work on the integrated financial forecast?

**Ms. Grewal:** I believe by that you're referring to a long-term financial forecast.

**Mr. Sala:** Yes, that's accurate.

**Ms. Grewal:** So, I believe, as I've shared previously, and as we discussed with the PUB, the discussion about the integrated resource plan actually flows nicely into a discussion about our long-term financial forecast. At this point in time, how has a long-term

financial forecast been used? Let's speak about it in terms of the regulatory environment.

The Public Utilities Board uses a long-term financial forecast to look at how to set rates, because they look at not only rates in the near term in terms of what we're asking for, but what it anticipates rates might need to be based on that financial forecast on the longer term in the future.

I was speaking—as I was speaking about the IRP, I was very clear that both supply and demand will potentially materially change, and once we have the output from an integrated resource plan, that will inform our long-term financial forecast. And it's critical that what we take to the PUB as a long-term financial forecast has that integrity in it that they can rely upon it to make decisions about future rates of energy in Manitoba.

**Mr. Sala:** I appreciate the response.

Without a completed integrated resource plan, and of course the integrated financial forecast that would follow, I guess there's questions about how it's possible that Hydro could have come to a 5 per cent number, for example, for that interim rate increase request, or any numbers at this point, with any degree of confidence, given that lack of clarity over long-term direction.

We know with a lot of things in play with Strategy 2040, which is yet to be, you know, fully adopted, with an energy policy—provincial energy policy that seems to be yet to be completed, that there's a lot of questions about the future that need to be figured out.

So, I guess the question is, how can Hydro be confident that the general rate application, or the rate application that they made recently for a 5 per cent increase, adequately reflects Hydro's true financial needs given the number of outstanding questions about the ultimate direction that Hydro will go in the years to come?

**Ms. Grewal:** A few things.

Firstly, if you will recall, the budget that Manitoba Hydro put together pre-drought reflected a need for an increase of 3 and a half per cent. All that Manitoba Hydro was asking for, because, as I said in my opening statement, we're taking a multi-year view on how to recover from this potential 400—from the almost-\$400-million impact, was a multi-year review. We were only asking for an additional 1 and a half per cent.

Secondly, I'd like to go back to our core financial fundamentals as Manitoba Hydro. If you were to analyze Manitoba Hydro's financial statements today, you will quickly see that 80 per cent of our cost structure is fixed. And by that, what do I mean? We have little to no control over it. And what are those major components of the fixed costs? It's interest, which as I said is 40 cents of every dollar we receive from our customers. And to clarify, that is only to pay the interest on the almost \$25 billion in debt we will have. That is not in any way reducing the debt.

Secondly, with the major capital projects now fully being completed in the coming fiscal, all of the depreciation, amortization and the debt costs associated with that will come into our income statement.

And to be clear, in next fiscal, the impact of finance expense—again, solely interest, not reducing debt—the impact of depreciation and amortization and the capital taxes on these projects is expected to be \$835 million. These are costs that are fixed, that have been known for years; it was when these projects were coming into service, they would hit it. So 80 per cent of our cost structure—

**Mr. Chairperson:** Ms. Grewal, we just have to stop you there. We're having that buzzing noise again.

We're expecting this noise coming—Ms. Grewal, you wouldn't happen to have a headset that you could use, because the thought is that there's interference coming into your microphone from your desk or something. If you have a headset, we could take a pause just while you get that set up.

**Ms. Grewal:** We're changing the speaker, and hopefully that will help.

**Mr. Chairperson:** Okay, just go ahead and make your adjustments there, and we will adjust the time accordingly here.

**Ms. Grewal:** Is this better now?

**Mr. Chairperson:** I believe so. Go ahead, Ms. Grewal, with your comments and we'll check to see that it's good now.

**Ms. Grewal:** Thank you, and our apologies.

So, in addition to the high fixed-cost structure of 80 per cent fixed in our expenses, we also are in a position, as we pointed out earlier, that we're borrowing almost \$380 million to pay our core costs.

So we have certainty on what our future cost structure will look like. But as I said earlier, that's based on what we look like today. The IRP will inform

what the future will look like from a longer term, so we can look at the coming two years-ish. The IRP will inform the longer term 20-year financial forecast.

So we are absolutely confident that the numbers we presented, given these are fixed costs that we have no control over, are costs in our cost structure. And we—with the fixed costs going up as we've identified, rate increases are necessary and I believe Manitoba Hydro has continued to bring this forward at every opportunity, including in the regulatory environment.

**Mr. Chairperson:** Thank you, Ms. Grewal. I think our technical problems are fixed now too, so that's great.

Mr. Sala, go ahead.

**Mr. Sala:** Has the coming online of those six other units impacted or changed anything in relation to the financial forecast? This is news, as I understand it, that these other units have come online—six months early, I believe is what you said in your opening statement. Has that—the fact that they've come online six months early and the revenue that that will produce, has that affected forecasts in any way?

\* (13:50)

**Ms. Grewal:** Absolutely, because—particularly with Keeyask and the six of the seven units in—as they come into service they are producing energy which is being sold in the export market, but I'd like to clarify what that is.

So that, as I talked about earlier, is energy we're exporting and those—and that energy is primarily being sold in the spot market until, I would say, the SaskPower contract comes in, in mid—in 2022. But the point is that the revenue those assets are generating is to reduce the cost and the impact from these major capital projects.

So let's speak specifically about the SaskPower contract. So, the SaskPower contract, as has been spoken about in the media, is \$5 billion, and that's not just one contract; it's all of the contracts we have with Saskatchewan Power. But what I want to be clear about is that is over 30 years, and if you break that down, I think it's about—less than \$150 million a year, but our cost structure is going up by \$835 million in '22-23; that'll be how much these additional capital projects have added.

So there is additional revenue being generated, but that revenue is not offsetting the costs of these projects and how they are now hitting our income statement.

**Mr. Sala:** Appreciate the response.

So just to be clear, can the CEO clarify that the coming online of those new units, which have come online six months early, that will not impact the numbers that were given earlier.

It was suggested that Hydro would see a net loss of \$200 million this fiscal. Can the CEO just confirm that the coming online of those units six months early will not impact—that the number will remain as a \$200 million loss for this fiscal?

**Ms. Grewal:** I can confirm that the financials that we submitted to the PUB in the most recent hearing reflected these units already coming online. So, it's included in the forecast that we provided.

**Mr. Sala:** I appreciate clarity on that.

At last year's standing committee, it was explained that updates requested by the minister were being made to the annual business plan, and that they would be complete by the end of the month.

Is the annual business plan now completed for last year?

**Ms. Grewal:** Yes.

**Mr. Sala:** Could Ms. Grewal commit to providing a copy of that to the committee?

**Ms. Grewal:** That report is publicly available and on Manitoba Hydro's website.

**Mr. Sala:** All right. Well, that makes it easy.

With the strike costing Manitoba Hydro \$18.4 million, what portion of the requested rate increases are going towards covering those costs?

**Ms. Grewal:** I can't say specifically how much—what dollar amount—but we think, in terms of from an electric perspective, it's 1 per cent, or the equivalent of 17 to 18 million dollars annually.

**Mr. Sala:** So, just to confirm that the costs of the strike equate to approximately a 1 per cent hydro rate increase, is that—

**Ms. Grewal:** To clarify, the strike cost was \$14.3 million. The 17 to 18 million or—is what was awarded by the arbitrator to the IBEW, which is the 1 per cent.

There were also—I'd also like to point out, in terms of the strike, is that the strike costs that we incurred was a one-time, one-year strike cost, whereas the new collective agreement that the arbitrator has made a decision on, those are annual costs. And every single

year, Manitoba Hydro customers will be paying that 1 per cent in their rates for what was awarded to the IBEW.

**Mr. Sala:** Appreciate clarity on that.

Moving forward to Strategy 2040: wondering, is Hydro awaiting—does Hydro continue to await the Province and the development of a provincial energy policy before finalizing Strategy 2040?

**Ms. Grewal:** As we were building Strategy 2040, which we started in 2019, we engaged with the Province at various points and we received—and they had the opportunity to provide us with input.

Strategy 2040 will always align with energy policy and we will adjust it as required once the Province has finalized its work on creating energy policy.

I would say the same thing about the integrated resource plan, which is while we are engaging with customers and understanding their thinking—and I don't want to speak for government, but we anticipate energy policy will be completed and in place before we complete our IRP.

So, the final thing I'd like to stay is the strategy is a long-term view and it is a living document. We will always be revisiting it, testing our underlying assumptions and—including ensuring it is aligned with energy policy.

**Mr. Sala:** So, when do we expect that Strategy 2040 will be finalized?

**Ms. Grewal:** Again, I'd like to reiterate it's a living document, but our intention is in mid—spring of this year, we're intending to actually go and publicly start to engage, firstly, with all the stakeholders, because we engage with over 90 stakeholders across the province as input into Strategy 2040, but to more broadly talk about Strategy 2040 as it exists today, given what we know today.

**Mr. Sala:** Has Hydro already begun executing on aspects of Strategy 2040?

**Ms. Grewal:** The components of Strategy 2040 that we're moving forward on are the foundational components. And we're—and I want to be clear, we're very early in our journey relative to everything we as Manitoba Hydro need to do to be successful in executing and delivering on Strategy 2040. And Strategy 2040 is centred around Manitobans and our customers.

So the kinds of things we are doing is we are not at all, in any way, investing any capital. Any of the things we are doing is around our business model, around communicating what Strategy 2040 may mean for our employees, around our business processes, around the kind of data we will need going forward, around how we can align our business so we are successful in an energy landscape which, potentially, is very different than today; we're focused on building our capabilities, our skills and our expertise.

**Mr. Sala:** Thank you so much for that.

Was the hiring of the new—two new VP roles an alignment to Strategy 2040? And if so, how was an alignment to 2040—Strategy 2040?

**Ms. Grewal:** So, what I want to say is there're two new individuals that joined Manitoba Hydro as vice-presidents, but we continue to have only seven vice-presidents, as we had before Strategy 2040.

\* (14:00)

Secondly, these two roles are roles that, to some degree, existed already in Manitoba Hydro. One of the ones is focused on customer. We've always been focused on our customer; we just never specifically called that out in a VP title in this manner, and there's more focus on how we can better serve our customers. And, for example, as I shared in my opening remarks, the work around the portal and the light and customer journey mapping; that's all part of it.

Secondly, the other portfolio is VP, digital and technology. IT and OT, which is information technology and operational technology, have always been foundational to how we manage our business and we operate our assets. What's new in that portfolio is the concept of digital because data will be how we will understand and operate not only our assets in an environment where you have a bidirectional flow of energy and you're always looking on how you balance the grid and ensure energy is where it needs to be, but also in terms of the data to understand when our customers are making different decisions that we need to then ensure reliable energy is for.

So, what I would say is that they're roles that have evolved and been focused relative to Strategy 2040, but they are not new VP roles.

**Mr. Sala:** Thank you for that.

How many new employees does Hydro expect to hire to work in support of Strategy 2040?

We know that the organization has lost somewhere, I think, around 1,400 employees over the last several years from, I think, sixty-eight or—6,800, 6,900, down to 5,400 or so—might have those numbers a little bit wrong—but I know we've seen a lot of employees leave the organization and many—I think 900—were let go as part of a consolidation or a staff reduction initiative that was encouraged by our current PC government.

So, from our current position, how many new employees does the CEO expect to be hiring in relation to Strategy 2040 in supporting its execution?

**Ms. Grewal:** A couple of things I'd like to clarify.

So, 900 employees were not let go. They had the opportunity to take early retirement, voluntary departure. And all of these employees—and it was where employees got to self-select; no targets were set in terms of the number that chose to retire early and take advantage of that opportunity. That took place over 20—I believe, '17 and '18, over that one-and-a-half, two-year period.

Going forward, we know it's critical that Manitoba Hydro operate as effectively and efficiently as possible. Going forward, our intention is—and how we are planning—is that the number of employees we will have will not increase beyond what the amount was after the voluntary departure program.

**Mr. Sala:** Can the CEO just elaborate a bit about the impacts on the organization of having lost those 900 employees through that voluntary departure program?

What did that do to the organization in its capacity, and is the organization now in a—is it fair to say that Hydro is now in a sort of rebuild phase to start to bring back some of the skill sets that may have been lost through that process?

**Ms. Grewal:** So a couple of things.

Manitoba Hydro is a large organization, and we don't lose skill sets. We may have certain individuals depart, but we ensure the knowledge, the skills, the capabilities are absolutely there in Manitoba Hydro. So, we always make sure we have the right skills and the right capabilities in the organization to ensure reliability. And I would say if you were to look at our reliability statistics, both on the 'gas' and electric side, they have not changed over the last few years.

Beyond that, though, I think it would be—it wouldn't be prudent of me to comment on the change

between that time frame to now because I was not in the role I am currently in.

**Mr. Sala:** Thank you for that response.

Over the last few years, we know that operating costs of Hydro have escalated significantly, I think a total of about \$18 million—or, sorry—\$83 million over a period of three years. In the past, increases in operating costs usually escalated by maybe 1 or 2 per cent, but over the past two years, we've seen a significant increase in operating costs year-over-year.

Can the CEO please help us to understand a bit about why operating costs have been growing to such an extent, especially when we've seen a significant reduction in the total number of employees working for Hydro?

**Ms. Grewal:** Inflation, particularly when it comes to labour, has an impact on O and A, and our O and A costs are primarily labour. But they're also some materials that are used in our day-to-day operations. So I would suggest you look—look back at what was the rate of inflation and how did that impact our O and A costs and inflation or CPI.

**Mr. Sala:** Well, we know over the last six months or so we are seeing what many have characterized as a transitory type of inflation, but prior to that there was very, I think, sort of common levels of inflation, the—what we've seen for many years, which is maybe somewhere between 1 to 2 per cent.

Maybe that applies to this year, but just so I'm clear, is the CEO saying that inflation was driving the increase of operating costs for the last three years overall, or just this last year? Clarity on that would be *[inaudible]*

**Ms. Grewal:** I'd like to remind the committee that, as I spoke earlier, over the—since I've joined Manitoba Hydro, we've experienced some events that we had not planned for and that we couldn't plan for. One of the factors was the storm, October 19th, the storm of the century, which cost us, I believe, slightly under \$100 million in total. So there's also the uncontrollable cost, as well as, as I pointed out earlier, arbitration award in terms of labour and how that has materialized.

So I would say those are the two primary drivers in terms of what you've seen in the increase in O and A. Because, as Manitoba Hydro, as I said, we're focused on operating as effectively and efficiently as possible in those costs that we do control.

**Mr. Sala:** Thank you very much for that.

Page 10 of the annual report states: Following a comprehensive review of our subsidiaries, we reorganized Manitoba Hydro International in alignment with Strategy 2040 to bring a greater focus to our core business.

So, I just want to start maybe by asking, in relation to that, with the amalgamation of Manitoba Hydro International and Manitoba Hydro Telecom into Manitoba Hydro, how many jobs were impacted by that? Were there departures, terminations, layoffs? Any insight there would be appreciated.

**Ms. Grewal:** So, I'd like just to remind the committee that—Manitoba Hydro Telecom is a subsidiary of Manitoba Hydro International. Every single permanent employee at Manitoba Hydro International in its four different business units was offered employment at Manitoba Hydro.

**Mr. Sala:** Thank you for that response. I appreciate it.

We do know, though, that a number of employees left Manitoba Hydro International during the process of the realignment. Can the CEO confirm how many employees left Manitoba Hydro International prior to the finalization of its integration into Manitoba Hydro?

**Ms. Grewal:** We'll have to take that under advisement and look into that.

\* (14:10)

**Mr. Sala:** Page 10 of the annual report states: following a comprehensive review of our subsidiaries, we reorganized Hydro International in alignment with Strategy 2040 to bring greater focus to our core business.

Was that review done internally or was an outside consultant hired?

**Ms. Grewal:** So, just to put this in context, Manitoba Hydro undertook a review of all of the business we do and all of the business units in Manitoba Hydro, and MHI was included in that; and we engaged a third party to support us in this work.

**Mr. Sala:** Thank you for that.

Who was hired and what was paid to them for the—what was the value of that contract?

**Ms. Grewal:** It was PricewaterhouseCoopers who did the evaluation and I don't have that number at my fingertips. We'll take that under advisement.

**Mr. Sala:** I appreciate that and I do hope that the CEO can undertake to provide that back to the committee.

Given that Manitoba Hydro International energy technology solutions wasn't shut down along with the international consulting side of the work, it's assumed that that work is aligned to Strategy 2040. So, can the CEO describe the ways in which Manitoba Hydro International's energy technology solutions portion of the business aligns to Strategy 2040?

**Ms. Grewal:** Actually, this fits well with the conversation we had earlier about the role and portfolio, digital and technology. In the evolving energy landscape, one of the key drivers and enablers for any organization or utility to be successful is technology. The digitization of information, the use of technology and OT, which the technology groups in MHI have capability in, will be leveraged.

Secondly, I'd also like to point out that those groups were working with made-in-Manitoba technology for utility industries and they're continuing to work with that and, as you know with technology, you continue to upgrade it and increase the capability, so they're also continuing to focus on that. But technology is a key enabler in the evolving energy landscape and it's embedded in Strategy 2040.

**Mr. Sala:** Thank you for that.

On May 19th, 2021, the minister issued a directive to Manitoba Hydro to implement all recommendations from the Wall report. This directive was mysteriously never posted publicly, but a month later, on June 18th, 2021, the government issued a press release titled, quote: "Manitoba government launches formal process to respond to economic review of Bipole III and Keeyask." End quote.

Why was the public not informed until a month later about this directive?

**Ms. Grewal:** I believe that government is best positioned to respond to that because we don't actually post the directive.

**Mr. Sala:** That's fair.

Was Manitoba Hydro aware of the directive on May 18th?

**Ms. Grewal:** We'll have to check the exact date on when we received the directive, so we'll take that under advisement.

**Mr. Sala:** Appreciate that.

So, in the opening statement from the CEO, she alluded to some of the work that's been done by the committee that's been tasked with enacting and

moving forward the recommendations from the report.

I'd like to ask the CEO if she could provide a summary of the work that that project team has completed to date?

**Ms. Grewal:** There are a total of 51 recommendations in the report and not all of the recommendations apply to Manitoba Hydro. Some are specific recommendations that government is looking at. For those recommendations that do apply to Manitoba Hydro, we've gone through a process to assess a couple of things: (1) what is our current state relative to the recommendation—because there are many that we've already started to—prior to the report being released, have already started to move forward on.

So, we have also been providing information to government and supporting them, because this is government's review of the recommendations; it is not Manitoba Hydro specifically reviewing the recommendations. Our job is to support the project team and the expert panel and provide information.

**Mr. Sala:** Which of the recommendations from the report will have the most significant impact on Hydro?

I know the CEO mentioned that not all of them pertain to Hydro, some maybe more broadly just to government, but could she summarize those recommendations that she feels are likely to have the biggest impact on Hydro once enacted?

**Ms. Grewal:** Well, a few things.

Government is reviewing the recommendations, so government hasn't made any decisions as to which ones Manitoba Hydro should act on and implement or not. So I can't comment on those until government has completed its review, which includes a number of different dimensions, including what is the cost of implementing recommendations.

**Mr. Sala:** So, the CEO did allude to engaging with that expert panel or that expert team and supporting some of the work that's been done. Have any progress reports been provided to the CEO about the work that's been done?

**Ms. Grewal:** As Manitoba Hydro, we've made two presentations to the expert panel, but it's a process and the process is ongoing.

**Mr. Sala:** Did Hydro feel they needed outside support to allow for the enactment of the recommendations in the Wall report?

**Ms. Grewal:** As I said earlier, there is no decision on what will be implemented and acted on or not. The recommendations are being reviewed by government and Manitoba Hydro is providing information to government.

**Mr. Chairperson:** Mr. Wharton—Minister Wharton, I believe you had your hand up. Did you want to respond to this? Go ahead, Minister Wharton.

**Mr. Wharton:** Certainly I do, absolutely.

I refer the member of St. James to June 18th: government launched a formal process to respond to the Economic Review of Bipole III and Keeyask. And I'm sure the member has had an opportunity to review that release, but if not, I do have some time, so I certainly—be—provide for the record and for Manitobans on the line a little bit more detail towards this process.

And, certainly, the Manitoba government has established a former process that includes creating a project team to respond to the 51 recommendations of the Economic Review of Bipole III and Keeyask, or ERBK, from Commissioner Brad Wall, as well as an external panel to provide direction and guidance for future Manitoba Hydro decisions.

Again, Mr. Chair, our government is committed to taking action to create strong and transparent policies to ensure future Manitoba Hydro project are both accountable and demonstrate clear values to Manitobans.

The external experts will support the project team on critical recommendations in the area of procurement and contracting. They will serve in an advisory capacity over the next year to guide the development of action plans that address these recommendations.

And, Mr. Chair, pleased to also put on the record as well, for Manitobans, the folks that are involved in the expert panel: Mr. Mark Podlasly, he is a director of economic policy at First Nations Major Projects Coalition; also Mr. Tim Stanley, engineer and president of Stratice Consulting; and, again, Mr. Chris Gauer, engineer and former president, project delivery, infrastructure in Ontario.

Again, Mr. Chair, leveraging the skills and expertise of our panel members will allow us to strengthen the future of Manitoba Hydro and find ways to better protect Manitobans by not running the risk of repeating the same mistakes, the past decisions, as the member from St. James knows, his government were directly involved in.

\* (14:20)

Also, the project team, chaired by Manitoba Crown Services and composed of various members across government departments—again, this is a whole-of-government approach—fully transparent and engaging, to ensure Manitobans will be protected, of course. It'll undertake further examination of areas such as cost, reimbursable contracts, impact, project labour agreements, a deeper analysis of Bipole III routing decisions, the failure to disclose escalating cost estimates to the Public Utilities Board, or the PUB, and how \$1.2 billion was spent on Keeyask, Bipole III prior to its approval by the Public Utilities Board.

A public formal response document that describes the actions that have been or will be taken in response to each of the ERBK recommendations will be tabled in the House in the fall of 2022, and I'm sure the member from St. James and the NDP will be looking forward to that.

Under the Crown corporations, governments and accountability act, the minister provided, myself, a directive to Manitoba Hydro to support implementation of the Province response to all 51 recommendations outlined in the ERBK, and that would be some valuable information not only to Manitobans, but, I'm sure, for the member from St. James.

Thank you, Mr. Chair.

**Mr. Sala:** I'd like to just inquire a bit with the CEO about one of the key recommendations here, which is recommendation 2.2, which proposes major changes to procurement processes and a move towards a P3 model.

So I'd just like to ask the CEO, you know, recognizing that, ultimately, government is determining which ones will be advanced, but given the implications of a shift towards, you know, looking to use P3s or cost-reimbursement-type model contracts, what's the sense, currently, from the CEO about how the use of P3s may impact the way that Hydro does business in the future?

**Ms. Grewal:** Until the analysis and work is completed, it would be premature for me to comment on what the potential impact would or would not be.

**Mr. Chairperson:** Minister Wharton, yes, sorry, I couldn't see your hand there before. Go ahead, Minister Wharton.

**Mr. Wharton:** Yes, I'll endeavour to put my hand up higher next time. I apologize for that.



And to the member from St. James' question, again, we—I've directed Manitoba Hydro to support the implementation of the 51 recommendations; it's a process that's currently ongoing, and I'm sure the member would appreciate that. And, certainly, it's an important initiative and, certainly, as we move forward through the rest of this winter and into spring and into the fall session, more of the information will be provided on a go-forward basis as the expert panel continues on their wonderful work on ensuring that Manitobans are protected for the long haul.

**Mr. Sala:** Like to ask a bit about the Manitoba Hydro Telecom staff that were alluded to earlier by the CEO. Why were all the Manitoba Hydro Telecom staff transferred into Hydro's telecommunications department, and how will they continue to operate over the next several years? What kind of services will they provide?

**Ms. Grewal:** I believe there were 18 employees of Manitoba Hydro Telecom that were permanent employees that accepted employment with Manitoba Hydro. These employees will play a key role in managing our fibre optics system, our telecommunications system. The telecommunications system is key in Manitoba Hydro because it is the system that allows us to remotely manage and monitor all of our assets throughout the province. So they will play a key role in maintaining this system.

**Mr. Sala:** It seems as though Manitoba Hydro Telecom had been doing work that Xplornet is now being asked to do. I'm—I'd like the CEO to elaborate on whether or not Manitoba Hydro Telecom was ever asked if they could manage the work that Xplornet's been asked to do and why it was necessary to bring in an outside company.

**Mr. Wharton:** Certainly, we know that my colleague from Central Services engaged in a—an RFP—open, transparent process—in ensuring that dark fibre could help. And one thing the pandemic has done—I'll digress a bit—but the pandemic has shown us many, many gaps in our Internet and cell service, particularly in northern Manitoba, rural Manitoba and with our First Nations as well.

So, certainly, we have an asset here that has been dark for a number of years. We recognize that, and the minister also recognized that and endeavoured to move forward with, again, the RFP that was awarded to Xplornet to ensure that well over 100,000 homes in northern Manitoba and First Nations have the ability to move forward and what the new normal or the new normal will look like with respect to how we move

forward with education, with training, with our job, whether we work remotely.

Certainly, building up that capacity now is important. Certainly, the member does know that they had a number of years, almost 20 years, to move forward with connectivity outside of the city of Winnipeg. They chose not to. Our government chose to. And we're looking forward to the outcomes of that engagement with Xplornet over the next two to three years to ensure Manitobans have connectivity in northern and rural communities, just like we enjoy here in Winnipeg.

**Mr. Sala:** So, I do appreciate the information from the minister, and, of course, we do recognize that a contract was given to Xplornet, ostensibly for the purpose of expanding access to broadband.

But the question for the CEO is, has MHT ever been asked about their capacity to do this work? Has any analysis ever been done to explore, you know, their ability to do this at potentially a much lower cost than what Manitobans might pay, in looking to an outside company to do this?

**Ms. Grewal:** Just a couple of things. Firstly, I'd like to point out—I'd like to bring us back to Strategy 2040. And what is underlying Strategy 2040? That Manitoba Hydro focuses on its core business. We heard that very clearly in our consultation process in building Strategy 2040.

Secondly, the role of Manitoba Hydro has been to—Manitoba Hydro Telecom has been to look at opportunities to create value from the 10 per cent underutilized fibre that we will not be needing over the next 20 years. But we will still be owning that fibre. It is still Manitoba Hydro's fibre.

And given our focus on our core business, given our current debt-to-equity, where capital is very scarce for us, our ability to achieve what Xplornet is and make the investment to achieve the objectives set does not exist.

**Mr. Sala:** It was stated that Hydro is essentially unable to expand or it was unable to use Manitoba Hydro Telecom for the purposes of expanding broadband access because there's a shortage of capital. That would suggest that there was analysis done to explore what it would cost, ultimately, or what it would have cost for Hydro Telecom to expand access to broadband, to bring broadband access to a vast majority of the province.

So, just want clarity around that from the CEO. She's alluded that we didn't have the capital required to do that.

Did Manitoba Hydro do the analysis or did they do analysis or did they request Manitoba Hydro Telecom provide a summary of costs associated with expanding access to broadband to Manitobans?

**Ms. Grewal:** As I stated, Strategy 2040 is for Manitoba Hydro to focus on its core business. And this is considered non-core. The general statement I made about capital is a general statement. We did not undertake any analysis.

**Mr. Sala:** Okay, so at this point we have no idea about what those costs may have been for Manitoba Hydro Telecom to expand access to broadband for Manitobans.

One of the concerns here is that, you know, where it may not be aligned to Strategy 2040, there are other opportunities or other ways in which we could have preserved the public ownership and public governance over that excess fibre so that we, as Manitobans, could have potentially generated the greatest benefits from these assets that we've all invested in. Those towers, that fibre, that belongs to all of us as Manitobans.

\* (14:30)

So, were there other models that were ever considered by the Hydro CEO in terms of how they could realign or ensure alignment without necessarily giving away this opportunity to a private company? Was it ever, like, for example, were there ever any explorations of looking at creating a new Crown, moving that outside of Hydro, having another board be put in place that it could report to to create that alignment?

**Ms. Grewal:** I'd like to reiterate that Manitoba Hydro still owns and maintains this network. It is not a public asset that has been sold or privatized in any particular way.

**Mr. Sala:** Yes, no, I appreciate that, but I'll repeat the question: Were other alternatives explored?

Were there other—any other approaches that were looked at by the corporation in terms of how they could have dealt with Manitoba Hydro Telecom to preserve the value that it was creating for Manitoban ratepayers?

**Ms. Grewal:** As I said earlier, this is non-core for Manitoba Hydro, so therefore we did not assess what is stated in the question.

But we do believe that this opportunity for Manitobans in those communities that do not currently have rural broadband capability—that this is in their best interests.

**Mr. Sala:** Has a thorough assessment of Manitoba Hydro Telecom and its business contracts been completed, and what's the estimated value of Manitoba Hydro Telecom and its contracts?

**Ms. Grewal:** We have a third party that is working with Manitoba Hydro to assess the value of those contracts. That work is currently under way.

**Mr. Sala:** So, we've heard two announcements from the government so far, you know, announcing the deal with Xplornet. So can the CEO help to—help us to understand: the announcements have been made and yet the valuation of MHT and its contracts, she's saying, are not yet completed.

Can she just confirm that, at this point, the valuation of MHT and its contracts are yet to be complete?

**Ms. Grewal:** My understanding is that the overall agreement that governs this between Xplornet and the Province was the first contract that was executed. Then there are a series of other subcontracts that speak to specific components of operationalizing the agreement that Xplornet and the province reach.

Once we understood what was in those—what was to be addressed in those agreements, is when we undertook the work to be able to engage in the process.

**Mr. Sala:** So I understand that there's various, sort of, contracts that need to be valued.

But, I guess, just to zero in: has the valuation of simply allowing Xplornet access to the excess fibre itself and Manitoba Hydro infrastructure itself been finalized?

**Ms. Grewal:** Manitoba Hydro is not undertaking a valuation of the fibre, the 10 per cent underutilized fibre.

That fibre, to clarify, is a fixed cost for Manitoba Hydro. We invest when we build our systems; we look out 50 to 70 years and build that for that future capacity. So while we may not need that capacity today, we will need it, we anticipate, 20-plus years out.

So we did not undertake—specifically, to answer the question, we did not undertake a valuation of that underutilized fibre—the 10 per cent.

**Mr. Sala:** So how was pricing determined, then, for Xplornet, for them to gain access to that excess fibre and our equipment that—publicly owned—the towers and the various, you know, infrastructure that's been put in place? How did a price get agreed upon? Was it government that set a price for access to that excess fibre and that equipment, or was the price set through an analysis done by a third party?

**Mr. Chairperson:** Minister Wharton, I believe you had your hand up?

**Mr. Wharton:** Yes, I did. Thank you, Mr. Chair.

And, again, I alluded to a whole-of-government approach, and in particular to—the contractual questions that are being asked by the member from St. James today would likely be better to have a discussion with the Minister of Central Services (Mr. Helwer), who worked daily along with his department on the negotiations with the open RFP process, which engaged a number of firms that were interested in getting access to the not-used dark fibre.

So I would suggest that the member could likely move on to another line of questioning and, certainly, endeavour to perhaps send a note to the Minister of the Central Services, and I'm sure that he or his department would be more than happy to walk through that process.

**Mr. Sala:** Thank you for that.

So, maybe just to repeat the question—and I do appreciate that the minister is encouraging me to speak with one of his colleagues, there, to discuss that procurement contract, but, of course, we are here today and we're—we have this benefit of getting to speak with the CEO of Hydro. So I would like to take this opportunity to use her significant insights here to get this clarity for Manitobans on this question, which is a question that I would think that Hydro would have clarity on, which is: How did they go about coming to a price in order for to give Xplornet access to that excess fibre and that infrastructure?

Was that determined by government or was that price determined by a third party?

**Mr. Wharton:** Again, I won't repeat my last answer because I know the member from St. James just repeated the same question that I just answered. The member wants to spend the next 20 minutes of the time on this particular issue getting the same answer;

I'm prepared to do that. I don't think it is beneficial for Manitobans on the line, however. I have recommended and suggested a path forward with particular to this—the negotiations that were done between Central Services and the successful proponent, and I suspect that that would be the avenue to take on a go-forward.

So, again, I'm sure Manitobans are prepared—not prepared to spend the next 20 minutes on this question. There's a lot more to talk about. I'm sure the member has a number of questions he'd like to put forward to the CEO regarding the annual report.

**Mr. Sala:** Does the agreement with Manitoba Hydro—or with Xplornet expose Hydro to telecom regulators? If so, what might those exposures be?

**Ms. Grewal:** The best of my knowledge, at this point I'm not aware of any exposure.

**Mr. Sala:** And it's my understanding that a directive was issued from government in relation to moving forward with the negotiation or the deal with Xplornet.

Can the CEO confirm that that is accurate, and then, if so, what was the content of that directive?

**Mr. Wharton:** I know the CEO had answered another question regarding a directive earlier, and the same answer, I believe, applies here. This was posted publicly and it's certainly available, as the CEO had mentioned regarding the previous directive that was brought up about an hour ago.

**Mr. Sala:** Was the directive issued—or was the directive requested by a Hydro executive or did it come, unsolicited, from government?

\* (14:40)

**Ms. Grewal:** We know that government issued directives for Crowns on actions they would like to take and this was a directive that was provided to Manitoba Hydro by government.

**Mr. Sala:** So, my understanding is that it's quite exceptional for governments to issue directives of this nature, especially given this is, you know, relating to a contract. So can the CEO provide clarity as to why a directive was needed in this instance?

**Mr. Wharton:** I know the member—well, I would suspect the member has a copy of the legislation, the CCGA, in front of him. He knows that in the legislation, the minister can issue a directive at any time to the Crown corporations so it's not—certainly not off base. It follows the legislation and if the member

would like a copy of the legislation, I can certainly endeavour to have our department fire off a copy to him today for his knowledge and as we go forward, I'm certainly—it could be interesting for him to pick that up and certainly learn from that.

**Mr. Sala:** In the November 30th press release, it was announced that a contribution agreement had been signed with Xplornet. Could Ms. Grewal undertake to provide a copy of the contribution agreement?

**Mr. Wharton:** Certainly, the government should be providing that, so certainly we'll endeavour to continue that discussion with the member as we go forward.

**Mr. Sala:** So, the release that I referenced there, November 30th, outlined 30 First Nations and roughly 350 rural and northern communities would receive broadband services. Does the CEO have a timeline on when those services would be provided and are there any communities that would be identified as a priority?

**Mr. Wharton:** Again, certainly a good question and a good question for Central Services. Again, they're the lead department in the procurement and certainly they would be able to provide the answers that the member from St. James is looking for, in a timely manner.

**Mr. Sala:** One of the key concerns here that we've invited an ex-provincial company, a company from, I believe, eastern Canada that's owned by a giant American hedge fund, Stonepeak Infrastructure Partners to come into our province and to, ultimately, use publicly owned infrastructure which, as I understand the agreement, will need to be kept up, maintained, supported by Manitoba Hydro. Although we don't have clarity on the value or what Xplornet is paying for that, it would seem as though there are a lot of concerns here about whether or not we're using these publicly owned assets to create the most value possible for Manitobans.

So, one of the concerns here is that, ultimately, with bringing in this external—this company from out of province, that currently small Manitoba businesses, those Internet service providers, those last mile providers in our communities around this province, have currently had a great arrangement with Manitoba Hydro Telecom, where Hydro telecom was a backhaul provider for Internet and they provided neutral access to that publicly owned fibre.

With bringing in this company that to this—to date, has actually acted as a competitor to all of those small

ISPs, there's concerns now about what those small businesses, those Manitoba-owned businesses will face, in terms of their ability to access that publicly owned fibre. If they're now asking their competitor for access to that backhaul Internet, are they going to get that access to that backhaul Internet when Xplornet themselves are going to want to find those plum opportunities, where there's the greatest opportunity to make profits? There's probably going to be some concerns there.

So I guess what I'd ask is, can the CEO provide any commentary around how she feels this arrangement might end up impacting those last mile providers, those small Manitoban ISPs?

**Mr. Wharton:** Again, Central Services is not in committee today. We're talking about the '20-21 annual report for Manitoba Hydro.

These are all questions that certainly are appropriate for Central Services to follow up on, and again I recommend the member address his questions to Central Services on a go forward.

**Mr. Sala:** I would imagine that the minister understands why that expertise would reside with the CEO, but we will move on.

Just asking now, a bit about export contracts. I'd like to ask the CEO how much of the total firm contracts that we can expect to be reflected in Hydro's upcoming general rate application.

**Ms. Grewal:** Could you please clarify your question?

**Mr. Sala:** What is the total value of the firm contracts that Manitoba Hydro has that we can expect will be reflected in its upcoming general rate application?

**Ms. Grewal:** So we do publicly report our net export revenue, and for fiscal '22-23 we anticipate the net export revenue, which includes both firm and spot market sales, of approximately \$625 million.

But that is based on certain assumptions. One of those key assumptions is that we return to average water and the drought does not continue. That is a very, very key assumption because the variability that we face, we anticipate in '22-23, based on current water conditions, is that there is the risk with the water, weather, et cetera, of up to \$700 million variability, swing positive, negative, on that net income.

But that is what we are forecasting for '22-23 is \$625 million in net export revenue, which includes both firm and spot market sales.

**Mr. Sala:** Thank you for that response.

Does Ms. Grewal expect export revenues to be better than projected for this current fiscal year?

**Ms. Grewal:** As we stated earlier, for '21-22, there is a swing in net extra-provincial revenue—export revenue—of \$398 million, which is a 78 per cent decrease from what we originally budgeted.

**Mr. Sala:** Has Hydro begun the process of engaging in any additional negotiations relating to new export contracts for the upcoming fiscal or even this current fiscal?

**Ms. Grewal:** Manitoba Hydro always has ongoing discussions with parties that are interested in our green, dependable energy. But there is no—nothing specific in terms of any additional firm export contracts.

**Mr. Sala:** And has Saskatchewan asked for any greater amount of exports? Has there been any exploration of that, or can the CEO give a sense of what that, we'll call it market opportunity, is for Hydro at this point?

**Ms. Grewal:** In terms of specifically with SaskPower, there's two activities that have—that we've undertaken, and I just want to make sure I'm specifically referring to the correct one.

In terms of with SaskPower, we have engaged with them to—for two things: to explore a conceptual transmission expansion, and the total megawatts that was being looked at is 1,000 megawatts. That report—this joint interregional exploratory study—and, again, to clarify, it was an exploratory study—was released in November 2019 and is public.

And it indicated potential 'pulinary'—preliminary costs to set up the transmission for a thousand megawatts at \$1.84 billion, of which 1.06 would have been Saskatchewan's and 0.78 would have been Manitoba's.

\* (14:50)

This report also identified there is ways to do this in hundred-megawatt chunks and it again identified the cost. But those were solely exploratory and there's been no further discussions beyond that. Manitoba and Saskatchewan, with Natural Resources Canada, also participated in an NRCan-funded regional co-ordination study, and that was done by General Electric and that summary report was issued in 2021.

That is the extent of the discussions we are having with SaskPower.

**Mr. Sala:** I appreciate that.

You know, we're seeing quite a bit of shifting in terms of the energy landscape, of course right now, especially in the MISO market where we sell a significant amount of our power.

I wonder if the CEO can elaborate a bit on how she feels the future of firm contracts will look in places like the MISO market with—does she see the market softening? Does she see increased challenges for Manitoba Hydro to get a—good rates in those areas, or what's her perception about the future of our ability to get high value from contracts in other markets on a go-forward basis?

**Mr. Chairperson:** Before I go to Ms. Grewal, I will just announce that we had about three minutes of technical difficulties where we had to pause, so I would like the committee to go to 2:03, as we previously agreed to go to 2 o'clock with allowing two minutes to finish the—moving the report, so we're going to go to 2:03 so you can judge for yourselves on your questions going forward.

So, Ms. Grewal, please go ahead.

**Ms. Grewal:** Could Mr. Sala please repeat the question? Because I got confused when you said 2:03, and I think you meant 3:03.

**Mr. Chairperson:** Correct. I meant 3:03 and not two-oh. We will go to 3:03. So Mr. Sala, could you please quickly repeat your question? Thank you.

**Mr. Sala:** Absolutely. Just hoping the CEO can elaborate on how she views the future of export contracts to markets like MISO, et cetera. There's reason to think that those markets are going to soften, that we're going to be increasingly challenged in selling our power at good rates to MISO and other markets.

How does she perceive the future of export contracts and some of the challenges we might face?

**Ms. Grewal:** As you would anticipate, Manitoba Hydro is constantly 'monnorting' the export markets because, in the last 10 years, revenue from our export sales have represented a little over 20 per cent of our full revenue, which is how we've been able to keep costs lower in Manitoba.

That being said, it's very hard to speculate, but what we have seen in those markets is there's considerable more wind power coming in, and it—really, it's hard to speculate because we aren't the only ones

entering those markets with energy and it's yet to be determined. The landscape is changing.

**Mr. Sala:** Thank you for that response.

On December 1st a notice was put out by Central Services that they intend to release a solicitation for contact and call-centre services. The notice also states that, quote, this is a collaborative initiative involving various broader public sector organizations within Manitoba. End quote.

Can Ms. Grewal comment on whether Manitoba Hydro is one of the public sector organizations that are collaborating in this initiative?

**Ms. Grewal:** Manitoba Hydro is collaborating in the initiative, and if, as a result of that initiative, it is the best way to proceed in terms of serving our customers most effectively and efficiently, we will continue to participate.

**Mr. Sala:** I appreciate the response.

So what could that mean for the current customer service centre located within Manitoba Hydro, if Hydro is to proceed as a partner on that broader initiative? What—what's the—what is the future hold for the customer service contact centre within Hydro?

**Ms. Grewal:** As you pointed out, this is in very early stages. As to what that may or may not mean for our customer service centre, I wouldn't feel comfortable speculating.

**Mr. Sala:** So, just so I understand, because Hydro is engaged as a partner within this initiative, can the CEO please clarify, does this involve externalizing to a private company the management of customer service relations?

**Ms. Grewal:** My understanding is this is about call handling technology which is—underpins how you engage with, enables customer interaction.

**Mr. Sala:** So your understanding is not that this will involve the contracting out of customer service functions, in terms of the people side of the equation. Your understanding is that this is simply focused on the technology that's being used itself?

**Ms. Grewal:** That is my understanding, but I am not as close to this as perhaps others are in Manitoba Hydro. But I've heard nothing to the contrary than—other than it's about technology.

**Mr. Sala:** Excerpts from the 20-year strategic plan appear to indicate that Hydro plans to deliberately,

perhaps, slow the introduction of electric vehicle technology here in Manitoba.

Does Hydro agree that electrifying our transportation fleet is a fundamental part of fighting climate change?

**Ms. Grewal:** First of all, I'd like to clarify that Manitoba Hydro is not taking any action on the electrification of transportation that would either slow it down or increase it.

This is one of the topics in the integrated resource plan for us to understand what are the future demands for electrification of transportation; whether it's individuals, such as you and I driving our cars, whether it's mass transit, whether it is a large trucking fleet.

**Mr. Sala:** So when we look to other jurisdictions, especially those that have a lot of hydro-electric wealth, like Manitoba, if we're talking about BC or Quebec, they seem to be light years ahead of Manitoba, in terms of deploying or advancing electric vehicle charging networks and ultimately supporting the advancement of the electrification of transportation.

Why is Manitoba so far behind?

**Ms. Grewal:** I don't think it would be appropriate for me to speak for all Manitobans.

What I can say is that we do know that the City of Winnipeg is looking at how it could potentially electrify transit. What I can say is that I've personally had discussions with some of the Manitoba-based large fleet transportation companies on their early initial thinking on electrification of transportation. But there's also other technologies that they're also looking at, such as hydrogen.

So, I can't speak for them, but what I can say is once we complete our IRP process, we'll be in a better position to speak to what it is that Manitobans are thinking and looking for in terms of the electrification of transportation.

**Mr. Sala:** So, given the IRP process, I think earlier it was mentioned that it would be a 16-month time frame until that was completed.

Is it fair to say that Manitobans can expect that we will not see any advancement of electric vehicle charging infrastructure driven by Hydro until at least two, three years from now?

**Ms. Grewal:** Again, I—we—I believe it would be premature for me to speak to that because if, in the early part of consultation, it comes out very loud and

clear that our customers and Manitobans want to move quickly on the electrification of transportation, then absolutely, we would do everything we need to to play the role that is defined for Manitoba Hydro.

\* (15:00)

But I want to clarify that energy policy will also play a role in defining what role Manitoba Hydro plays because there are lots of other market entrants putting in place, and we see that in Manitoba all the time—electric vehicle charging stations—but it will be our job, as always, and as per the act, to ensure the reliability is there to support the electrification of transportation at the pace and scale that Manitobans want.

**Mr. Chairperson:** Mr. Sala. I believe you're muted, Mr. Sala.

**Mr. Sala:** I thought I was going to go a whole session without making that mistake.

Can Ms. Grewal tell the committee if Manitoba Hydro has a rate increase in mind they intend to put forward for the—in their GRA?

**Ms. Grewal:** Manitoba Hydro, right before the holidays, received the decision on this year's GRA. We're also still awaiting the reasons for the PUB's decision, which will then inform, as we go forward and continue to build out our enterprise plan, what we will be—will or will not be putting forward in our multi-year GRA that will be filed before November 15th, 2022.

**Mr. Sala:** So just to confirm at this point, there is no number in mind, no estimated number, that Hydro is seeking to bring forward.

**Ms. Grewal:** Manitoba Hydro has not yet done the work and the analysis to be able to land on where we believe we would be putting it—on the basis on which

we would be putting forward an application for rate increases.

**Mr. Sala:** I thank you for that.

I believe we're right at the mark here. I'll try to squeeze one more—

**An Honourable Member:** Mr. Chair. Point of order, Mr. Chair.

#### Point of Order

**Mr. Dougald Lamont (St. Boniface):** I'd just like it to be put on the record that we requested time from the NDP to ask questions, and they were—it was ignored. Thank you.

**Mr. Chairperson:** Mr. Sala, to respond to the point of order.

**Mr. Sala:** No response. Appreciate the concern on the behalf of the Liberal member and just appreciate the opportunity to ask these questions today in this short amount of time we were allotted.

**Mr. Chairperson:** It is not a point of order.

\* \* \*

**Mr. Chairperson:** And as previously agreed to, we will now put the question on the report.

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2021—pass.

The hour being 3:03, what is the will of the committee?

**An Honourable Member:** Rise.

**Mr. Chairperson:** Committee rise.

**COMMITTEE ROSE AT:** 3:04 p.m.

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