

Scott Powell: Hi, I'm Scott Powell, Director of Corporate Communications for Manitoba Hydro, and I'm here today with Manitoba Hydro President and CEO, Jay Grewal. Jay, welcome.

Jay Grewal: Nice to be here, Scott.

Scott Powell: We're here today as part of Manitoba Hydro's public accountability meetings for 2022. Thanks, Jay, again, for being with us today. Jay, obviously 2021 was an incredibly busy year for Manitoba Hydro. We were into the second year of COVID-19 and dealing with those impacts. We saw extreme drought, which obviously impacted our operations and our finances, and we continued to do a lot of work on improving service to our customers through Strategy 2040 and implementation of our plans going forward. Let's unpack some of the challenges we saw and also talk about some of the highlights that you saw from your perspective here at Manitoba Hydro.

Jay Grewal: Well, last year was another year of COVID -- year two. We have amazing employees and we continue to keep our customers and employees safe as we continue to move through the pandemic. But we also were not just dealing with the pandemic, we needed to forge ahead on the significant changes we've undertaken as an organization, and there's a long way to go in this journey, but I'm really, really proud of the changes we've made so far. While our field staff who you see out there day in day out continued to operate our system under our COVID protocols, our office employees continued to work remotely where it was possible while we, as an organization in the interim continued planning for what I hope is a very near and eventual return to our offices.

But despite some of the challenges of COVID and some of the other factors you mentioned, Scott, we had some other incredible achievements over 2021 and into early 2022. We've made substantial progress on the Keeyask Generating Station, which is set to be in full service this year, so very proud of the work done by the team in some challenging circumstances. We also completed the Birtle Transmission Project. What is that? It provides interconnection capacity with Saskatchewan. That's in order to meet our requirements of our major sale to SaskPower, so we're going to be using that line to help generate revenue to keep the rates here in Manitoba lower than they would be otherwise. We continue to have some of the lowest electricity rates in Canada and North America.

On the people front, and I'm especially grateful for and proud of our employees, we were named one of Manitoba's and Canada's top employers, and we were named that by third parties, and it was an assessment of how we interact with and support and how our people feel about working at Manitoba Hydro.

As part of our enhanced asset planning and delivery work, we've continued to very carefully manage our efforts on how we maintain, how we rehabilitate, and where necessary, replace aging infrastructure, so as we look to upgrade and expand our system, we need to ensure we will continue to provide you, our

customers, Manitobans, with reliable and safe electricity, and absolutely and always, natural gas service that meets your needs and expectations. So we've been taking a very hard look on how we optimize these decisions on maintenance and repairs and life cycle asset costs with trying to do everything possible to keep these costs as low as possible because we are committed to keeping the rates as low as we can in Manitoba.

Scott Powell:

Thanks for that, Jay. Now, the droughts certainly had an impact, something all Manitobans noticed last year, and it had a pretty major impact on both our operations, our energy supply, particularly on our finances. Can you talk a bit about what we saw in terms of that impact and what our plans are to recover from that going forward?

Jay Grewal:

Firstly, I want to recognize the drought has impacted many Manitobans in a negative way, particularly those in the agricultural sector, but in many other ways its impacted Manitobans. But let's talk about how it impacted Manitoba Hydro. This was a significant drought. How did it impact us? It didn't impact your reliability. We ensured that you had safe, reliable power, but it did impact us financially. It impacted our bottom line.

Drought, as I've shared in the past, is one of the major risks that any hydroelectric utility faces, so for us as Manitoba Hydro, when we have average or above-average water flows, and we model this and look at 40-year scenarios and 100-year scenarios, we take advantage of that surplus water, and we run it through our generating stations, our turbines, and we sell that excess energy in the opportunity or spot markets rather than simply spilling the water downriver. Why is that of value to you, our customers? That generates additional revenue, and we use that revenue, as I pointed to earlier, to keep our rates low for our customers here in Manitoba, because that is how we keep the rates here lower than they might have been otherwise.

On top of the drought, some of our big infrastructure projects like Keeyask, Bipole III, and the Manitoba-Minnesota Transmission Project are also having an impact. How are they having an impact? It's having a positive impact by creating this dependable green energy, but the financial impact that it's going to have means that the interest payment, the depreciation on those assets that will now come into play are going to be paid for out of our annual budget. It will be part of our annual operating costs and that will have an impact on rates going forward.

As Manitobans, you know that there's been billions of dollars that have been spent to build these large infrastructure projects. On the cost that I was referring to, we're going to be working both with the province, with government, but also our regulator, the Public Utilities Board, and you, our customers, to determine how we manage these costs coming in to ensure the level of service you depend on, but also what the rate increases will look like going forward as we prepare for our next filing of a general rate application next winter. So we've got two issues that we've been hit with, unfortunately, which is

a drought -- though we've been fortunate, we didn't have one for two decades -  
- but also these costs of these major infrastructure projects are coming into our  
operating costs.

Scott Powell: Thanks for that, Jay. It certainly sounds like last year, despite all those challenge,  
and there were many, as you outlined, significant progress was made on  
implementing our long-term strategy, Strategy 2040, that long-term, 20-year  
vision for Manitoba Hydro going forward and how we serve our customers.  
We've made a lot of progress there. Let's talk about that and tell our customers  
where we're at with that today.

Jay Grewal: That's a very good question, Scott. What is Strategy 2040? That sets the  
direction for Manitoba Hydro going forward in the future. We need to look long-  
term for exactly the reason I spoke about earlier, we make big investments in  
infrastructure, and those assets can last up to a hundred years, so we need to  
look long-term at this. The progress we've made over the last 14 months has  
been tremendous when you consider the environment and circumstances we  
made that progress in.

This is something that I'm very proud of because we never had a strategy like  
this before, a long-term strategy that will allow us to position in the most  
opportunistic way in the evolving energy landscape of the future. It's to focus on  
our customers and we're doing that work starting today. Hopefully, for some of  
you, you will have seen already some of the changes we've made as Manitoba  
Hydro to respond to serving you in ways that you would like and to deal with  
some of the pain points that you've shared with us and that I receive in letters  
and others within the organization, because we need to hear from you, our  
customers, on how we can serve you better.

We've also started building capability and capacity in different areas of the  
business that are going to allow us to achieve success in these initiatives and  
moving forward on them. This meant looking at our business model and  
reorganizing it on quite a material scale to ensure we have not just the right  
people, but the right skills and the right structure, leveraging the right  
technology to serve our customers, and we're putting in place processes and  
technology that will be here to serve you 20 years into the future. But we're  
starting to do that work now and build this out, so you will continue to see step  
changes at Manitoba Hydro over the coming years. These changes that we're  
making based on our corporate will absolutely benefit you, our customers,  
down the road because you are at the center of our strategy, so there'll be some  
quick wins, as I touched on earlier, and we look forward to hearing your  
feedback as to are you seeing positive changes, what's working for you, and  
what isn't working for you.

One example that we've got a lot of support for from our customers is our new  
call-handling technology. By that, we've created some new mobile applications,  
how we're managing our call center agents to increase the time and timeliness  
in serving you. We're looking at better asset management processes, as I

touched on earlier, and we're improving our outage response times, including you can see the outage map online if there is an outage and an estimated time to restore that, so all of these things will mean better service, greater reliability, and lower costs in the long run.

Scott Powell: Well, that's a great start to Strategy 2040, most certainly. Where do we go from here in continuing to implement this strategy going forward and making it real for our customers, our stakeholders, and indeed, even our employees?

Jay Grewal: There's a lot of work to be done because we've only started on this journey, so we've been able to shape the strategy and I want to be clear that we've set our direction. It does not mean we won't adjust it as we learn more about the evolving energy landscape and as it changes, but we now have that shape, we have that direction.

I actually want to say that we at Manitoba Hydro, we've been working on this for two years, and so we've actually been living it, breathing it, and thinking about it all the time and how do we make it real for our employees and our customers. This spring, we're launching a new website, and that's dedicated to our Strategy 2040. What will it do? It will give you a broad overview of our work and direction to help you understand and get a little bit more detail about what these enterprise plans look like and why they are critical to Manitobans. With the rollout of this website, you're going to be able to see because transparency is important. We believe in being transparent. You're going to see what we're doing, and more importantly, where it's going and when it's going to happen.

Scott Powell: Jay, I understand an important part of this move towards providing customers with greater visibility and insight into Manitoba Hydro being more customer-focused and ensuring we understand our customers' needs and desires, not only today, but also tomorrow is the integrated resource plan, or IRP. That's an important part of our strategy going forward, isn't it?

Jay Grewal: It actually underpins the energy landscape in Manitoba going forward. What is an IRP? What is an integrated resource plan? It looks at all of the resources Manitoba Hydro has, from our people, to our customer expectations, to the hydro poles, our generating stations, our transmission facilities, to even water flows and climate change, and through that, we'll create models of how the future of energy might look in Manitoba. It's a huge undertaking because we are not only looking at the resources we have today, but the resources that might exist in the future, and on the flip side of that, looking at not only the demand for that green dependable energy today, but how it might change in the future. This is very comprehensive work and we will complete it by the end of next summer and already it started with input from you, our customers. We were very pleased at the uptake of the online survey we provided customers as to what they see as being their future energy needs and what they would like to see from Manitoba Hydro in the future.

As part of the process, though, we're also having discussions with government as they develop the provincial energy policy framework, so we've been working with the province for quite some time and have actually been one of the advocates for energy policy, and so the work on that is continuing also with the province, and these two pieces will be coming together. But let's talk about the IRP and some of the immediate impacts because the IRP will look out longer term. It's going to play a very key role in the conversations we'll be having with our regulator, the Public Utilities Board, particularly when it comes to how this will impact the cost of energy.

The integrated resource plan is going to help us explain how in those applications and to Manitobans and our customers what rate increases will look like going forward by showing what is changing and how that will manifest in terms of costs, but will also speak to potential options for supply and possible future services, and the impact of new technologies on our grid because technology is going to be a key driver in this new energy landscape. It's a big part of making sure we can continue to be the energy provider our customers rely on.

Scott Powell: Jay, that sounds like a lot of work between implementing Strategy 2040, getting the IRP/integrated resource plan developed. While that's all going on, there are many other things that Manitoba Hydro will either be working on or dealing with over the next year, or the coming 12 months. What are some of those priorities for the company going forward?

Jay Grewal: Well, one of the ones that we're all working on right now and we're facing in the very near term is how we're going to emerge from COVID-19 and how we will return to the offices, but in a new way, and working together in a new way. As always, the safety of our employees, our customers, the public, the communities we serve will remain our first priority, so we're looking to evolve safely and reemerge from the models that we were forced to work within.

Also, as I touched on earlier, in the near future, for us by that I mean next winter, Manitoba Hydro will be filing a general rate application, or the acronym is GRA, with the Public Utilities Board. That will be, as I said, late in the winter, near the end of the year. We need to ensure that Manitoba Hydro is going to remain financially healthy as your utility because we will need that financial health to navigate the evolving energy landscape. I've spoken up many times over the last two to three years. At the same time, we are committed to, first and foremost, maintaining the service levels our customers expect from us and demand from us.

Scott Powell: Thanks, Jay. It's really about positioning Manitoba Hydro to be able to respond effectively and efficiently to those changes we see in the future, so a very important thing for us to do in order to serve our customers as effectively as possible, and certainly, going to be another busy year in 2022.

Now, as part of our promotion of our public accountability meetings, we asked customers to submit questions via the Engage Manitoba site and on our website that we would answer as part of these videos. We've got a couple of those for you here. I'd like to remind our viewers that if your question isn't answered in this video, or in any of the other videos we've produced, you'll be able to find the answer right here on our website. Take a look and those answers will be outlined in print form. We received over 40 questions from our customers, so thanks to everyone for participating, sending those in. First question, Jay, it's a simple one, "Why do hydro rates keep going up? I'm on a fixed income and these rates going up year after year is making my balancing of funds very difficult."

Jay Grewal:

That's a very important question and a relevant one. I want to say and assure our customers we completely understand that no one wants a higher energy bill and this is particularly true for those who are on fixed incomes. We know and we recognize and we talk about in Manitoba Hydro that every dollar we spend is not our dollar, it is our customer's dollar. It comes from you, and that every time we're going to spend a dollar, we should think, "Is this dollar being spent in a manner that is in our customer's best interest?"

What does that mean? Are we operating as efficiently and effectively as we possibly can? We work very hard and are focused on controlling our costs. That being said, there are costs that we have no control over because when you look at Manitoba Hydro, 80% of the costs to deliver you energy are fixed costs. They're locked in. Will rates need to increase? Unfortunately, yes, and they need to increase so that we can fully fund our day-to-day operations.

The drought that we experienced last year is also increasing this pressure and we face that risk every single year, given our reservoirs where we store water are seasonal. They aren't reservoirs where we can hold years of water to then mitigate the impact of a drought, but it's increasing the pressure on rates. Less water means less power to sell outside of Manitoba. That means less revenue. To put this in context, the impact of having below-average water, the impact of the drought, which is one of the greatest we've seen in like 40 years, resulted in less revenue of almost \$400 million, but it did not reduce our cost by \$400 million because those costs are fixed and locked in, so this revenue from export sales helps us keep rates as low as we possibly can for Manitobans. They're a big reason, as I said earlier, why we continue to have amongst the lowest rates in North America. Without that export sale revenue, the difference would have to be up in rates for you, our customers.

But there are things that you can do, that I can do to help reduce our bills, turning down the thermostat three degrees at night, unplugging appliances you don't often use. If you haven't already, I would also encourage you to sign up for our Equal Payment Plan. That again, if you're on a fixed income, should assist you with your planning and budgeting. What does that plan do? It allows you to spread your annual energy costs evenly over 12 months to give you that predictability. Finally, our friends at Efficiency Manitoba offer various programs

and services that you can access on their website for homeowners, home renters, that will allow you to reduce your energy costs, and I would encourage you to go check out their website.

Scott Powell: Thanks for that answer, Jay. Next question from one of our customers is another pretty simple one, "With all the snow that's fallen across Manitoba," and Lord knows we've had a lot, "is the drought over?"

Jay Grewal: There's no question we've had a lot of snow. All you have to do is look outside and look at how high your snowbanks are and you'll see how much we've had. As I said earlier, we're cautiously optimistic that all of the snow that we see, these frozen electrons is how I look at them, will help us recover from last year's drought. But the snow on the ground, unfortunately, doesn't necessarily mean the drought is over, and it doesn't necessarily mean we will see higher water flows at our hydroelectric-generating stations this year, particularly the ones that are in the north because that's where we generate the majority of our hydroelectric dependable energy, so a lot actually still depends on what happens this spring and summer.

The ground, as we know, is very dry in our region because of last year's drought. How much of the melting snow will replenish the moisture in the soil and how much will run off into the waterways? What do we need? We need spring and summer rain to replenish the water levels in our lakes and our rivers. If it doesn't rain, then there is a chance we may experience a drought that we'll start to see starting early summer.

Scott Powell: Well, Jay, thanks for that, and thanks for taking the time to join us here today. Again, I'd like to remind our viewers that questions that weren't answered in this video or any of the other videos, the answers to those questions can be found on our website. I encourage you to go there, take a look, and see the answers to all the questions. Jay, thanks again for your time today. I appreciate you being with us and thanks to all of our viewers for joining us as well.

Jay Grewal: Thank you to those who are watching for your interest in Manitoba Hydro because we are your Manitoba Hydro. Take care and stay safe.