



Third Session – Forty-Third Legislature

of the

Legislative Assembly of Manitoba

Standing Committee

on

Crown Corporations

*Chairperson
Mr. Diljeet Brar
Constituency of Burrows*



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MANITOBA LEGISLATIVE ASSEMBLY
Forty-Third Legislature

Member	Constituency	Political Affiliation
ASAGWARA, Uzoma, Hon.	Union Station	NDP
BALCAEN, Wayne	Brandon West	PC
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS

Tuesday, January 20, 2026

TIME – 1 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Diljeet Brar (Burrows)

VICE-CHAIRPERSON – MLA David Pankratz (Waverley)

ATTENDANCE – 6 QUORUM – 4

Members of the committee present:

Hon. Min. Sala

Mr. Brar, MLA Dela Cruz, Mr. Narth, MLA Pankratz, Mrs. Robbins

APPEARING:

Lauren Stone, MLA for Midland

Jamie Wilson, Chair, Manitoba Hydro-Electric Board

Allan Danroth, President and Chief Executive Officer, Manitoba Hydro

Alastair Fogg, Vice-President and Chief Financial Officer, Manitoba Hydro (by leave)

MATTERS UNDER CONSIDERATION:

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2025

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Clerk Assistant (Ms. Melanie Ching): Good afternoon. 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 Chairperson.

Are there any nominations?

MLA Jelynn Dela Cruz (Radisson): I nominate MLA Brar.

Clerk Assistant: MLA Brar has been nominated.

Are there any other nominations?

Hearing no other nominations, MLA Brar, will you please take the Chair.

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

Are there any nominations?

MLA Dela Cruz: I nominate MLA Pankratz.

The Chairperson: MLA Pankratz has been nominated.

Are there any other nominations?

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

This meeting has been called to consider the Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2025.

At this time, I would like to remind everyone that questions and comments must be put through the Chair using third person as opposed to directly to members and representatives.

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

Mr. Konrad Narth (La Vérendrye): We would like to thank you, honourable Chair. We would like to recommend four hours be used for today's committee.

The Chairperson: It has been suggested that we sit for four hours.

Is it agreed? *[Agreed]*

Before we begin the opening statements, we have received the request that the vice-president and chief financial officer of Manitoba Hydro, Alastair Fogg, be seated at the table and answer questions on the record. Because it is Manitoba practice to allow two representatives from an organization to be seated at the table during a meeting to consider an annual report, this would require leave.

Is there leave for Mr. Fogg to be seated at the table and answer questions? *[Agreed]*

Leave has been granted.

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

Hon. Adrien Sala (Minister responsible for Manitoba Hydro): Sure, I'd be delighted to do that.

Yes, please, so before I start, I'd be delighted to have an opportunity to introduce our team here.

I'll start with our chair, Jamie Wilson—I'll speak about Jamie in a minute in my opening statement; I am delighted to know that he has joined us here on board as our new chair; of course, Allan Danroth, our CEO; and Alastair Fogg, in our CFO role.

To just provide my opening statement: so good afternoon, and thanks to everyone for joining us here today. On behalf of our Manitoba government, we'd like to honour the sacredness and importance of this land and of the ancestors that once walked where we're standing today: the Anishininewuk, the Inewuk [*phonetic*], the Dene, the Dakota, the Inuit and the Anishinaabeg nations and the Red River Métis Nation who paved the way to what is now known as Manitoba, home to all treaty people. The reason we share this information with you is that it's a reminder of our treaty histories and the original homelands of all those nations which have become home to all of us here today.

I want to begin by saying that it is a sincere honour to be here today in my capacity as the Minister responsible for Manitoba Hydro. I've said it before but it deserves repeating: Hydro is, indeed, the Crown jewel of our province. It's more than a utility which provides low-cost electricity to Manitobans. Hydro has been and will continue to be key to the economic development of our province.

Every day, we see more stories about the structural transformation of our economy that's currently under way. The world is moving towards deep electrification. Companies and industries are looking for clean, green, baseload power. And it's in this context that Manitoba Hydro provides our province with a key economic advantage. Simply put, hydro is our greatest asset today and it will power our prosperity into the future.

As the Minister responsible for Hydro, I am deeply honoured to have been entrusted with the stewardship of this asset by our Premier (Mr. Kineo). We all know that I'm working with a team of outstanding professionals who are doing the work, day in and day out, as we write the next chapter in Hydro's story.

I've already shared who's joining me at the table, and our new chair, Mr. Jamie Wilson; of course, Mr. Allan Danroth, our CEO; and Mr. Alastair Fogg, the vice-president and CFO. Let me say a few words about these individuals.

Members opposite might recall Mr. Wilson from his time here as a deputy in the former government.

As deputy minister, he served the previous government in two portfolios of Education and Training and Growth, Enterprise and Trade, and he served with distinction. James also recently—or James also served as treaty commissioner at the Treaty Relations Commission of Manitoba. As members are likely aware, he currently serves as vice-president, Indigenous strategy, research and business development at RRC Polytech. I have sincere faith that his deep combination of skills and experiences will serve him well in his new capacity as chair and that his guidance will be a tremendous asset to Hydro as they continue on their journey towards reconciliation.

On behalf of the Manitoba government, I'd like to formally welcome to him to this role in this public setting. And on a personal note, I'd like to thank him for agreeing to serve, as I know the invaluable leadership he'll bring to the organization.

So thank you so much, Jamie.

On that note, I'd like to say a few words about another individual who dedicated two years of his life to help lead Manitoba Hydro, Ben Graham, our outgoing chair, who also provided invaluable leadership and mentorship to Manitoba Hydro's executive team. He helped lead Hydro into a new era, an era where Hydro refocused on the basics by ensuring our aging infrastructure was being attended to, an era where, for the first time in years, Hydro began the process of bringing new generation capacity online and an era where Manitoba Hydro took important steps to engage with Indigenous communities.

For the first time in a decade, Manitoba Hydro's board travelled 1,000 kilometres north to hold a board meeting and meet with local First Nations leadership. Through Ben's leadership of the board, he made it clear that Hydro had a responsibility not only to provide low-cost, reliable power for its customers, but also a responsibility to those communities directly affected by Hydro's development and operations.

* (13:10)

On another personal note, I would like to thank Ben for the superb counsel and insights he shared with me over the past two years. I'd also like to take this opportunity to publicly and personally express my sincere thanks for his service as chair of Manitoba Hydro.

As mentioned earlier, also joining us at the table is Allan Danroth, Manitoba Hydro's CEO. We're here to discuss Manitoba Hydro's annual report for '24-25, and I'd be remiss if I did not note that this is the first

full-year report from our CEO. I understand that he enjoyed his appearance at the committee last year so much he's graciously agreed to return.

But in all seriousness, Allan is comparatively new to Manitoba Hydro, and I would like to thank him for his leadership over the past year as he helps to implement some of our key government priorities like the affordable energy plan. So thank you, Allan, for your service to the people of Manitoba.

And, finally, a few words about Alastair Fogg, who plays a critical role as Hydro CFO. Alastair has been a long-standing Hydro employee and has provided our government with invaluable counsel in the lead-up to Budget 2025. One of my key concerns as both Minister of Finance and Minister responsible for Manitoba Hydro was, how do we make generational reinvestments in our hydro infrastructure while keeping rates affordable.

Addressing this wasn't easy—trust me. As members of this committee are likely aware, our government decided to eliminate the capital tax on Crowns and reduce the debt guarantee fee paid by Hydro. This decision resulted in Hydro retaining roughly \$200 million more within the organization each and every year. And this decision helped to enable our generational reinvestment in Hydro while keeping rates affordable.

What members of the committee would not know is that Alastair was a key support in helping us to get to that decision. So I share this because I want the committee and all Manitobans to know that—the quality and ingenuity we have in the leadership team here at Hydro. I could not have fulfilled the commitments we made to Manitobans in the last election in a responsible and prudent way without their guidance and wisdom.

So, thank you, Alastair, for your leadership and service to the people of Manitoba.

So on to the annual report. While we're here today to talk about the annual report from Hydro, we should all spare a moment to reflect on the challenges facing Pimicikamak as they work to recover from the impact of the power outage and subsequent impacts on the community.

Last year, I had the honour of spending a few days in the community of Pimicikamak and I know how strong and resilient the community is. But also I know how difficult the current situation has been. Throughout this emergency I've been in regular contact with

Chief Monias and I'd like to thank him for his service and leadership during this truly difficult time.

With respect to the annual report for the year ending March 31, 2025, let me say just a few words, as this topic will, of course, occupy this meeting. It was, indeed, another year of progress. We launched a signature initiative of the affordable energy plan which seeks to bring online 600 megawatts of majority Indigenous-owned wind energy. This new capacity will not only provide new green energy for Manitobans, it will also help to further the process of reconciliation, which is a key priority for me as minister.

Over the year in question, we saw work that led to the permanent ban on the wasteful use of our hydro power for crypto mining.

Work was also undertaken that culminated in bill 28, which transforms and modernizes how large requests for power are dealt with in Manitoba. No longer will we see the first-in, first-out system of allocating one of our most cherished assets: our energy. Go forward, we will allocate power in a fashion that best serves the interests of Manitobans.

Finally, during the year in question, significant work was undertaken to develop Hydro's Integrated Resource Plan, or IRP. While the IRP will be unveiled early this year, I can share that it is a robust plan that will ensure that new generation capacity is added to meet those needs now and into the future.

And before I turn it over to the chair and CEO for their opening remarks, let me conclude by saying that I'm incredibly proud of the work that our government and Hydro have undertaken over the past year, and I'm very eager to discuss this year's annual report and share the good news on what's been accomplished to serve the needs of my fellow Manitobans.

With that, that's the end of my statement.

Thank you, Chair.

The Chairperson: Thank you, Minister.

Do the representatives from—does the critic for the official opposition has an opening statement?

Mr. Narth: I'd like to start off by, of course, thanking Mr. Wilson, board chair; Mr. Fogg, as the vice-chair; and of course the CEO, Mr. Danroth. At a time—oh, and also, of course, the minister, thank you for—I'd like to thank the minister for being here as well. Very important that all those that I mentioned, including the minister, are here to answer important questions for

the most important, I guess we could consider it, Crown corporation for Manitobans.

And Manitobans greatly value the Crown corporation of Manitoba Hydro. But at a time when many Manitobans are struggling to make ends meet, struggling to afford the most basic essentials of life, we have a government that is continuing to place a greater burden on the backs of Manitoba taxpayers and ratepayers through higher taxes and now higher utility rates at Manitoba Hydro, likely with annual increases for the next decade.

Manitoba Hydro has racked up an astounding \$25.34 billion in debt. That's almost \$17,000 of debt for every single Manitoban. The entire province has a net debt of around \$38 billion and close to \$80 billion in gross debt and liabilities. Manitoba Hydro's debt alone is that of \$25.3 billion, and that's quite alarming.

To put that debt into perspective, at \$25 billion, this corporation, Manitoba Hydro, carries more debt than half the countries in the world. Out of 209 recognized national states around the globe, 118 countries carry less debt than this one Crown corporation in little Manitoba. Hong Kong, for example, with a very large population, has just under \$25 billion of debt.

That is unacceptable and speaks to a model of governance and a lack of oversight and accountability that is neither sustainable or justifiable. I'll have more to say at the end of this committee about how we can begin to make Manitoba Hydro and this government more accountable to Manitobans who are, of course, the owners of this corporation.

We have a lot of questions today and I would like to direct these primarily, through the Chair, towards the CEO and the CFO to get a better picture of this debt and their business plan to manage it.

Thank you.

The Chairperson: Thank you, Mr. Narth.

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

Mr. Jamie Wilson (Chair, Manitoba Hydro-Electric Board): Minister and all committee members, I'm honoured to come before you today with our president and chief executive officer, Allan Danroth, and our chief financial officer, Alastair Fogg, to review Manitoba Hydro's '24-25 annual report.

As the chair of Manitoba Hydro-Electric Board, I can attest fully to the excellent work performed by

not just the executive of the utility, but indeed all of our valued employees in the '24-25 fiscal year to safely operate, maintain and expand our electricity and natural gas systems while continuing our work to plan for Manitoba's energy future in alignment with our provincial affordable energy plan, and continue our journey of economic reconciliation with First Nations communities across Manitoba.

Our customers can rest assured that despite some of the headwinds we faced in '24-25 fiscal year, Manitoba Hydro continues to operate with the best interests of our customers at the forefront of our work every single day.

Now I will turn it over to our CEO, Allan Danroth, for his opening remarks to the Standing Committee on Crown Corporations.

Thank you.

The Chairperson: Thank you, Mr. Wilson.

Mr. Allan Danroth (President and Chief Executive Officer, Manitoba Hydro): Good morning—good afternoon, rather. Thank you to the Chair, minister and all committee members.

As always, I'm honoured to appear before the Standing Committee on Crown Corporations to answer your questions about our fiscal March 31, 2024, to March 31, 2025, annual report and provide an update on the past year at Manitoba Hydro.

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

Manitoba Hydro has a presence right across Manitoba on Treaty 1, Treaty 2, Treaty 3, Treaty 4 and Treaty 5 lands, the original territories of the Anishinaabeg, Anisininew, Cree, Dakota and Dene peoples and the national homeland of the Red River Métis. We acknowledge these lands and pay our respects to the ancestors of these territories.

* (13:20)

The legacy of the past remains a strong influence on Manitoba Hydro's relationships with Indigenous communities today. We remain committed to establishing and maintaining strong, mutually beneficial relationships with Indigenous communities, and I would like to add that during these difficult times, our hearts and minds are with the people of Pimicikamak as they work to recover their infrastructure. We remain in daily contact with the chief and community and continue to assist where possible.

Let me also take a moment to highlight the incredible work performed by our more than 5,000 employees across the province. The efforts they make to ensure we continue to provide Manitobans with safe, reliable energy is nothing short of inspirational. I can see that their efforts are driven by a dedication to their communities, mutual support of their co-workers and pride in the professionalism they show in everything they do.

Although outside the scope of this annual report, Hydro's mantra of getting it done safely has never been so dramatically illustrated as during the unprecedented wildfire crisis of this past spring and summer. Fires damaged or destroyed power lines in eastern and northern Manitoba, left several communities without power. For the first time in its history, Manitoba Hydro was forced to temporarily evacuate some generating stations as fires threatened to cut off evacuation roads. Our emergency response crews were vital in helping suppress fires, assist in moving employees to safety and installing valued protection that prevented much more damage to our infrastructure.

Once damaged areas could be accessed safely, our construction crews, supported by incredible feats of logistics and despite remote locations and difficult terrain, were able to move massive amounts of material where needed, repair damage in remote and difficult terrain and restore power weeks sooner than expected.

We are grateful to the support of our mutual aid partner, SaskPower, led by their exceptional CEO, Rupen Pandya. SaskPower provided additional specialized vehicles and crews to assist in reconstruction, all the while prioritizing safety, and we thank them.

While our employees avoided any fatalities or serious injuries on the job during the wildfires, our Manitoba Hydro family was devastated by the tragic deaths of our employee Richard Nowell and his wife Sue at their home during the wildfire in Lac du Bonnet.

The fires were driven, in part, by tinder-dry conditions throughout the province. That parched environment and the lingering drought also contributed—or continued, rather, to impact Manitoba Hydro in other ways. Overall precipitation across the Lake Winnipeg and Churchill River basins has been well below normal for over two years. Basin precipitation has been the lowest recorded in the last 40 years, significantly reducing the water available to flow through our generating stations and generate electricity.

Manitoba Hydro's long-term resource planning and drought operating plans ensure that our firm energy demand, including provincial demand and existing long-term export obligations, can be supplied under the lowest recorded drought conditions. The plans are based on a hydrologic record for the entire Nelson and Churchill River drainage basin that dates back to 1912.

But low water conditions like this also limit our ability to generate surplus electricity to sell on the export market and generate revenue. As a result, we reported a consolidated net loss of \$63 million for fiscal year '24-25.

Drought conditions have persisted and, as been reported publicly already, we are forecasting a consolidated net loss of approximately \$463 million for the current fiscal year. To reiterate, our continuous supply of energy to Manitobans is not in doubt even during drought thanks in part to our system design, the work of our talented hydrology team and vital interconnections to neighbouring wholesale markets, which allow us to import energy as required.

However, the persistent drought does demonstrate the need for moderate, predictable rate increases, as Manitoba Hydro's revenues are highly dependent on factors we cannot control. We submitted our 2026 to 2028 electric general rate application to the PUB in March. The application sought a 3 and a half per cent increase per year for three years beginning this month.

Our staff provided the PUB and intervenors with some 10,000 pages of information, and we participated fully in the public hearings late last year. The PUB responded recently with an interim order for a 4 per cent rate increase effective January 1. We await the board's final decision later this year and will restrict our comments on rates here today as much as possible out of respect for the PUB and their process.

Included in our submissions and testimony to the PUB was the need to replace critical aging infrastructure to ensure the reliability of our system and to develop new energy resources to meet a growing need for energy in Manitoba.

To meet these challenges, we were guided by a new strategic direction aligned around six goals: enhancing the employee experience—without engaged employees, nothing is possible; improving our financial health; upgrading SAP, which is at end of life; ensuring HVDC reliability, which is 20 years past its end of life; planning for new energy resources in anticipation of a 2030 need date; and providing modern

customer solutions, which speaks to technological advances in solutions ranging from advanced metering and electric vehicle charging networks to demand-response programs.

These goals are all aligned with the direction provided by government policy and its affordable energy plan released this past fiscal year. And, indeed, significant progress has already been made towards realizing this vision.

Over the last fiscal and calendar year, I've met with many First Nation partners and communities, including leadership of Pimicikamak, knowing the legacy of our past developments and our reconciliation efforts with Indigenous communities are important. Reconciliation is a critical aspect of our business, which will continue.

Before I close, I'd like to say thank you again to our employees. They make us proud. Much is asked and expected of them every day, and every day they deliver, often despite very difficult and challenging conditions. Most importantly, they do so safely, which is a top priority for me, my executive team and every single employee at Manitoba Hydro.

Thank you to the members of the committee for your time. Thank you to our past board chair, Ben Graham, for his time and guidance over the last year and a half. And—excuse me—congratulations once again to our new board chair, Jamie Wilson.

And I look forward to your questions on our 2024-2025 annual report.

The Chairperson: Thank you, Mr. Danroth.

The floor is now open for questions.

Mr. Narth: I'd like to thank the CEO for those remarks that begin to paint a picture of exactly what the Crown corporation is all about. And that's what we're here today: to help answer any questions Manitobans have when they see the piling debt, but yet concerns of the potential of rate increases. Seeing as though we have some of the lowest electricity rates in the entire country, these are things that encourage Manitobans to defend and support the Crown corporation that allows us to enjoy those privileges.

But according—as was led to by the CEO—according to the latest filing with the PUB, Manitoba Hydro is calling for an annual rate hike of 3.5 per cent, or a 40 per cent increase, over the next 10 years.

My question to the board and the CEO is whether or not that will generate enough funds to support Manitoba Hydro's business.

MLA Sala: Happy to answer the question and, of course, offer our CEO an opportunity to provide some commentary on this question as well.

First thing I just want to make sure we're clear about is that the GRA was only for three years. And so the request was three 3 and a halfs over three years, not 10 years as was stated by the critic. So very important to be clear about that.

And the reason why we brought that forward, of course, is to ensure that we come forward with a balanced approach of ensuring that Hydro can meet its financial obligations while we keep rates affordable for Manitobans. And that's a critical priority for us as a government. I think we've done a lot to help ensure that we keep hydro rates affordable.

* (13:30)

And one of the ways we were able to support keeping hydro rates affordable, as the critic might know, is that we brought in an elimination of the capital tax that Hydro was currently—was paying previously and we reduced a debt fee that ultimately saw an estimated \$200 million more remain in Hydro than had previously been left there.

And what that did is that helped to allow—depressurize, to some extent—those rate requirements so that Hydro again could continue on a path of ensuring that we meet Manitobans' energy needs while we keep rates affordable, so we're proud of that. And, in addition, of course, we're extremely proud of the hydro rate freeze that we brought in at a critical time for Manitobans when they needed those affordability supports.

So to maybe dig deeper into the question, I'd like to hand it over to the CEO to provide more commentary.

Mr. Danroth: Mr. Chair, as the minister has outlined, Manitoba Hydro has not asked for or applied for a 10-year rate path. We've applied for three years at 3 and a half per cent per year.

As I mentioned in my opening statements, the PUB has awarded us 4 per cent for this year and they are reserving their decision on the remaining two years until a later date. And that's simply where we're at. We're pleased with the rate increase that we did receive; we think it is needed in light of some of the escalations—cost escalations that we're seeing, really,

globally around the world, for material and whatnot. And—but at the same time, we're also pleased to say that even with the rate hike, we will continue to have some of the lowest rates in North America and I believe—subject to Mr. Fogg's thoughts, if required—that we'll have the second lowest rates in Canada.

Mr. Narth: Thank you to Mr. Danroth for the explanation.

Just to clarify it a little further, I think that Manitobans all realize that, this being a Crown corporation, there is a blurred line between government—the Province of Manitoba—and the Crown corporation. So when we speak of allowing more money or less money to stay in the Crown corporation to show better or worse on the financial statement, at the end of the day, if the corporation or the Province is in a position of accumulating deficit, there's only one taxpayer to pick up that tab. And that's the concern.

So from my question, even if it may be hypothetical, but it had been a comment that had been made before, is that a rate increase for a decade would need to be seen. So whether or not we want to recognize, hypothetically speaking, of a rate increase of 3 and a half per cent or 4 per cent, if that was to be the case under the current business model, could the Crown corporation be in a financially viable—which it currently isn't, and we realize that there's infrastructure that needs replacement; some of that is, as mentioned, 20 years over its expected life cycle—if we were to continue on the path that has been presented to the PUB, would that be enough to allow Manitoba Hydro to be in a financially stable and profitable—or at least stable—position?

The Chairperson: Thank you, Mr. Narth.

MLA Sala: Yes, I appreciate the question. I'd say—I just want to challenge the critic on one of the comments he made, which is that Hydro is not a viable organization.

I strongly disagree with that characterization of Hydro and I think it reflects a certain philosophy or thinking about the Crown that doesn't necessarily reflect it as it truly is. I think the question, which is, of course, I seem—I'm understanding that you're wanting to get clarity as to whether or not the rate increases that have been proposed by Hydro through the GRA process are sufficient to meet Hydro's financial obligations.

And the answer to that is, of course, yes. That's the entire purpose of that exercise, which is to ensure that Hydro's financial obligations and their debt-servicing requirements are met through those rate

increases, and that's the entire purpose, of course, of that rate-setting process, which is to ensure that we are able to service our costs; not go any further, but to service those costs with a goal on meeting those longer term debt-to-equity ratios that we know we need to make sure that we move towards to ensure that Hydro can remain financially healthy.

In terms of the debt situation that you outlined, I think the key piece that you left out there—that the critic has left out, is that there are corresponding assets to that debt which produce value, of course. So that's all accounted for in the good work that's done, of course, by the corporation identifying what rate increases are required, again with a focus on keeping them as affordable as possible.

Maybe with that upfront colour, I'd invite you, the CEO or the CFO, to provide any further information about why those rates are set the way they are and any further clarity on why we're ensuring Hydro's financial health and viability through the setting of those rates.

The Chairperson: Thank you, Minister.

Just a gentle reminder to all members, while doing your questions or responses please route your questions and responses through the Chair, please.

Mr. Danroth: So, similar to the minister, I would challenge the notion that Hydro's not financially viable. We are a Crown corporation. We meet regularly with our rating agencies. Certainly, the rating agencies have never expressed that concern, to the best of my knowledge. And, again, when I conclude my remarks, welcome Mr. Fogg to add further clarity to that.

You know, it's a Crown corporation; it's a different business than if it was a pure play private business. And you have—one of the luxuries you have is you have the ability, perhaps, to take the debt higher than you would normally in a private business. But as we look at our, you know, our asset base of about \$32 billion and our debt of around 24, 25 billion, you know, it's certainly something that we watch and we monitor, and we have a team that looks after that and looks after the different maturing debt that we have, both the short, the long and the ultra-long-term debt.

And we make sure that we're able to manage within the confines of the system in which we operate, which, as we all know, has a cap at 4 per cent. And as we run our numbers and run our metrics, we believe that we can continue to do what we're here to do, which is to provide safe, reliable, affordable energy to all Manitobans.

Mr. Fogg.

The Chairperson: Thank you, Mr. Danroth.

Mr. Alastair Fogg (Vice-President and Chief Financial Officer, Manitoba Hydro): What I would just add to Mr. Danroth's response is, you know, we've discussed this extensively in front of the Public Utilities Board at their general rate applications.

When we look at this, we consider any rate application and the long-term projections from, really, kind of a three-legged stool, if you will, and it's affordability, financial health and being able to make system investments for reliability for Manitobans. And we take a near-term view and a long-term view.

So financial health is certainly a consideration, and we're absolutely focused on a number of key financial metrics. Our capital structure—our debt—is one, and there are others. But we always have to keep that in balance. We have to consider affordability for Manitobans. We also have to consider our mandate of providing safe and reliable energy and making the investments that we have to make in the system to meet that.

So it's a balancing act, and we—but we strongly believe we have the right path for Manitoba Hydro in that regard.

The Chairperson: Thank you, Mr. Fogg.

Mr. Narth: I would then like to ask of either the CEO or the CFO if it's true that in order to pay for refurbishment projects and for a small increase in capacity, Hydro plans to increase its debt load by a further \$8.6 billion.

The Chairperson: Thank you, Mr. Narth.

* (13:40)

MLA Sala: So, happy to provide a response to the question, and then I'd like to pass it over to Hydro to provide more commentary.

So the number that was referred to by the critic is—relates to investments that we're making in reliability, and those investments are all contemplated within the recent GRA, so those are, of course, folded into that rate path that we put forward to Manitobans through that process. And this is to respond to reliability concerns.

And within that number that was identified, there is a significant investment in bipole repair, which the member might know has been delayed for many, many years and is a critical repair that we need to ensure we begin the process of moving forward on to preserve reliability for years to come for Manitobans.

The other item that I can say is part of that number is the proposed investments in CT generators, and that's to respond to, again, reliability concerns that have been created as a function of a failure of the last government to do any development of any kind for seven and a half years that left us all in a pretty tough position. So that's going to help to respond to some of those challenges in ensuring that we can bring dispatchable energy online soon to respond to that—the energy challenge that, again, the last government left us.

But, again, this number is all-inclusive as part of that GRA. So I think it's important to highlight here that, while this is, of course, again, adding new debt, this is resulting in assets that we are improving or either putting in place new assets that are going to provide important reliability supports to Manitobans. And these are critical right now because, again, we were left in a very challenging position as a Province by the last government, where we did not see any new energy development for seven and a half years.

We needed to move quickly in responding to that reliability risk. And I think one of the really important things to highlight here is that this GRA proposes, again, these rate increases over three years, which are reasonable. And we're doing that while we're making the kinds of investments that Manitobans want to see in moving Manitoba Hydro forward, whether it's in reliability or new supply.

And one of the amazing things I think it's important to have on the record here today, Mr. Chair, is that under the former government, the rate path over their tenure in government was higher than what we're seeing under this government. But the big distinction is that, under the former government, there was nothing to show for it. So we're making huge progress while keeping rates affordable.

And with that, maybe I'll pass it to the CEO or CFO if they'd like to provide any further commentary around that number that was shared by the critic.

The Chairperson: Thank you, Minister.

Mr. Fogg: As the minister mentioned, the \$8.6 billion would represent our HVDC project as well as dispatchable capacity resources.

And just as a reminder, our HVDC system transmits over 70 per cent of the power that's generated in this province from northern Manitoba to the south to be used. And it's not just a modest investment in sustaining our system, it's the critical—really the backbone of our system to deliver energy to Manitobans and to generate revenue for Manitoba Hydro.

So it's an absolutely critical investment that needs to be made and it's being made over about a 15-year to 20-year time period. It's not an immediate \$8.6-billion investment.

What I would just also add is that we—when we talk about investments, when we look at our funds over a long term, as we talked about extensively at the general rate application, we're also always making sure we're considering how are we funding that, whether it's a combination of debt or cash. We're very mindful of making sure that not just the debt amount, but all of our key financial metrics are within the target range that we want to be, or within the range that our credit rating agencies and others are comfortable with to prudently manage our finances while balancing those investments that are critical to making sure we meet the growing electrical needs of Manitobans.

The Chairperson: Thank you, Mr. Fogg.

Mr. Narth: Honourable Chair, my next question would again be for the CEO or CFO regarding the financial position and the reality that rates need to be increased and that's why the proposal was made to the Public Utilities Board. And as we're hearing, it needs—that needs to happen so that capacity could be grown and that upgrades can happen.

So I'd like to ask the CEO or the CFO if they feel that it was then irresponsible of the current government to claim—to demand a hydro rate freeze this last year to bring affordability, as claimed, to average Manitobans. We're starting to get a very clear picture as to the position of Manitoba Hydro and that the costs of these upgrades and expansions only become more expensive each and every year. In fact, during the opening remarks of the CEO that's exactly what we had heard.

So if time is wasted each and every day that we aren't making these improvements to the system for the financial viability of the Crown corporation, which we all know is the viability of the government that Manitobans are responsible for servicing, then would it be the CEO and board's position that it was irresponsible to waste time in raising hydro rates?

* (13:50)

The Chairperson: Thank you, Mr. Narth.

Mr. Danroth: In regards to the question on the table as to whether or not Manitoba Hydro thinks it was irresponsible, we have no comment on that. You know, our role as a Crown corporation, as everyone knows,

we're responsible to a board and that board is responsible to a shareholder which is the government. And as part of our strategy and as part of our rate setting and how we do things, we take into consideration government policy which was encapsulated in the affordable energy plan, and included in that was a rate freeze.

And that was something that was debated during election before I actually even arrived in the province, so it's not for us to comment whether we like it, don't like it or anything. It's just a point of fact that that's what was in play, that's what an election was fought over and a decision that was made by the electorate. And, you know, there are times that, as Manitoba Hydro, we'll question certain things, but there's other times that we don't, and in this case, that's a matter of policy; election was fought over that, it was done before I arrived here and we just honour those types of commitments.

And that's our position on that.

The Chairperson: Thank you, Mr. Danroth.

MLA Sala: So I do want to provide just a couple of comments in relation to the question. The member characterized, sort of, the hydro rate freeze as wasting time, and I think that's—it's probably—it encapsulates, I think, the perspective that was brought to bear during their time in government. I think one of the concerns that the average Manitoban had was that what that perspective brought to bear was a lack of balance and ensuring that rate increases reflected the actual pressures that Hydro was facing.

And here we have return to an approach where the experts—CEO, chair, CFO—who are looking at Hydro's financial obligations for years to come—for the years ahead are able to assess what those needs are and are therefore able to go forward and propose a rate to the Public Utilities Board who can play their role in ensuring that Manitobans don't pay 1 cent beyond what they're supposed to be paying or what they need to pay to allow Hydro to meet those obligations.

In the previous state, what we saw under the former government, which was, I think, really reflected in bill 36—which was the last version of a bill that was brought forward, I think, multiple times over the course of many years—I think it was an extremely bad bill to begin with and then they made it slightly less bad, and the one that Manitobans had imposed on them was still bad but maybe not as terrible as the first version of that bill.

Effectively, that bill, what it sought to do was to undermine the expertise of people in Manitoba Hydro and it sought to replace the role of Hydro as the organization determining what its financial needs were, proposing a rate, going through a public quasi-judicial process through the Public Utilities Board and instead had those rates set at the Cabinet table.

And bill 36, effectively, what it sought to do was to create unreachably high financial targets for Manitoba Hydro that would have seen them be forced to bring in 5 per cent rate increases for the distant future. And that was a significant risk for Manitobans, that, you know, again, the former government effectively sought to kneecap the Public Utilities Board and their role in rate setting.

They took away Hydro's ability to identify really what their real financial needs were and instead supplanted that with a political perspective that was focused on doing what the member has alluded to, which is effectively raising rates as quickly as possible. And we saw them do that over their many years, over the seven and a half years they were in government. They used novel approaches that Manitobans had never even seen be used before for raising rates.

One example of that was when they included a hydro rate increase in a BITSA bill, which was the first time in this province's history where that ever happened. And one of the reasons that, again, that's such a big concern is because Manitobans saw hydro rate increase there that they'll never know, because it's never been adjudicated by the Public Utilities Board, whether that rate increase was actually even required.

So, you know, again, this perspective that we're—we were wasting time when, in fact, of course, what we were doing was ensuring that we met the moment and helped Manitobans during the affordability challenge that they were facing, that's the perspective that we're bringing to bear. I think this idea of that we're wasting time by not raising rates more quickly, I think, is what the member is trying to convey. I think it's the wrong approach, and I think that is reflected in the approach that Manitobans said no to when they rejected their government.

And, ultimately, I'm proud of the work that we did to make legislative amendments to that bill that they brought in. And effectively, through that—those amendments, we were able to stop a 5 per cent hydro rate increase that would have come on board last April as a function of that bill.

So that rate freeze, again, was a planned rate freeze that was supported through those—that elimination of that capital tax and the changes to the debt fee that were outlined earlier that left \$200 million more per year with Manitoba Hydro.

I'll remind the member that a 1 per cent increase is roughly—roughly correlates to an \$18-million increase in revenue, so he can do the math and figure out what leaving \$200 million more in Hydro did to depressurize their rate requirements for a year. He can see that we more than supported the ability to get there without creating any type of, you know, longer term issue.

And, again, the most important thing here is that we did away with what I think of—was the very disastrous type of model that the former government had proposed we utilize when it comes to hydro rate setting which is setting rates at a Cabinet table with people who have no expertise or understanding of what Hydro's actual financial needs are.

So we brought it back. We're proud of that. And, again, why? Because we understand that that approach, where we trust in the experts at Hydro and, of course, we trust in the Public Utilities Board, is what Manitobans want to see. So we're proud to have brought that back and I think restored an important focus on ensuring affordability while we move forward making reliability investments.

The Chairperson: Thank you, Minister.

Mr. Narth: I'd like to thank the CEO for that response. I think it was important to get that on the record.

But at the same time as it was important to hear the response from the CEO, I think it's important that we hear what the minister has to say as to the role that the board of Manitoba Hydro, together with their CEO and the Public Utilities Board, has to play. It's been mentioned now a number of times by the minister the value that is seen in the board and the CEO, and I definitely wouldn't dispute that very capable group.

So I'd like to ask the minister if—with that being said, and the explanation for why the rates were frozen and that it may have been politically driven—now that we have to get to work together with the board and a new CEO, is the minister willing to commit to standing out of the way for the government of Manitoba, standing out of the way of recommendations that are brought forward on managing the finances of the Crown corporation Manitoba Hydro, to allow them to propose rate increases, planning for infrastructure

upgrades and improvements as they see fit without political interference?

The Chairperson: Thank you, Mr. Narth.

MLA Sala: We are absolutely committed to working collaboratively with Hydro leadership—of course, through our chair—in ensuring that we keep rates affordable and that we ensure energy is reliable for Manitobans.

Look, this was something that was done, again, through discussion, through collaboration, ensuring that we were able to bring those dollars. Again, the—through the elimination of the capital tax and the debt fee, able to bring \$200 million more every year to keep that in Hydro's coffers.

And, again, one of the biggest things that we were able to do to support that rate freeze was to make amendments to a bill that the former government had brought in that was going to see 5 per cent rate increases yearly for the foreseeable future because of the structure and the formula that they had imposed upon Manitobans, where they were setting rates, again, at the Cabinet table instead of allowing Hydro to lead that work.

So I think, you know, the question being, are we supportive of ensuring that Hydro can work independently to identify their financial needs and then to bring those requests forward? That's exactly what Manitobans can expect.

And that's what they're seeing us do through the amendments—or that's what they saw us do, rather, through the amendments we made to the bill that had been put in place by the former government that was the greatest piece, I think, of interference in Hydro we've seen in this province in a very long time.

* (14:00)

So the very act of amending that legislation was, I think, in its essence, the act of returning independence back to Manitoba Hydro in that rate-setting process that the former government had taken away.

The Chairperson: Thank you, Minister.

Mr. Narth: I'll try not to dwell on that anymore. So, honourable Chair, we'll try to keep it rolling to get the entire picture as clear as possible for ourselves and the Manitoba ratepayers.

Pursuant to The Manitoba Hydro Act, the Province unconditionally guarantees almost all the Manitoba Hydro's outstanding third-party debt. The Province also provides 99 per cent of the utility's financing through provincial advances.

Does the government support Hydro raising rates on Manitobans just so that they can take on more debt?

The Chairperson: Thank you, Mr. Narth.

MLA Sala: I can confirm for the critic that we are investing to improve reliability and not just for the sole purpose of adding debt, which seems to be what he asked us.

The Chairperson: Thank you, Minister.

Mr. Narth: So with that I'd like to know, honourable Chair, what the yearly interest that Manitobans must pay on Hydro's existing debt; so in other words the debt-servicing costs for Manitoba Hydro.

The Chairperson: Thank you, Mr. Narth.

Mr. Fogg: Mr. Chair, I could refer everyone to page 82 of the 2024-2025 annual report under note 7 of finance expense. The member will see that there we indicate the amount of interest that's paid on debt for both the fiscal year 2025 and the fiscal year 2024. Of course, that number can change and vary based on a number of factors; however, you'll see it's displayed for these two fiscal years as \$902 million and \$863 million, respectively.

The Chairperson: Thank you, Mr. Fogg.

Mr. Narth: So I guess just to clarify, page 82, that—roughly \$1 billion of debt servicing for Manitoba Hydro. So then, moving it closer to Manitobans and their hydro bill, that is of—what is of most importance when we talk about hydro and making sure that we protect the feasibility of the Crown corporation.

How would that translate into a percentage of every dollar of every hydro bill issued to Manitobans, and how much of that bill goes towards paying the corporation's debt?

The Chairperson: Thank you, Mr. Narth.

Mr. Danroth: Mr. Chair, an answer to the question: How much of someone's bill that they pay goes towards the debt? What I can say at a very macro level is, depending on the year, Manitoba Hydro takes in—call it roughly \$3 billion a year in revenue—sometimes a little bit higher, sometimes a little bit less—but for argument's sake, let's just call it \$3 billion.

And as we've heard from Mr. Fogg, we pay just below about a billion dollars a year in—to service that debt. So it's roughly anywhere from 30 to 33 per cent of all the revenue that we bring in in any given year is going to service that debt.

That being said, I want to be very clear, it varies by rate class, and that's not to say that every single bill payer in this province is—that's what's happening with the money that they put towards their bill each month, because again, there's different rate classes and different programs in place for different people, so.

But at a macro level, it's roughly between 30 and 33 per cent.

The Chairperson: Thank you, Mr. Danroth.

Mr. Narth: Thank you to the CEO. I thank the CEO for clarifying that. It's on par with the calculations that I had come up with as well, and, again, the purpose of today is to paint a clear picture of the corporation and how it functions, how it is functioning and the long-term viability of it.

So that's why it was important to ask that question and to see that, in fact, it is, you know, 30 to 35 per cent of the revenue that Manitoba Hydro has goes to service the debt. And many people can relate to that as they see how much principal is paid on their mortgage each month, so this ties to that reality.

* (14:10)

The corporation has said that over the next 20 years, they plan to spend \$31 billion in total capital expenditures between sustaining existing assets and developing new energy resources and capacity.

Would the CEO or the board be able to clarify that that is accurate?

The Chairperson: Thank you, Mr. Narth.

Mr. Danroth: Mr. Chair, could we please ask the honourable member, could you just please restate the question because I think I might have misheard it?

Mr. Narth: Yes, the corporation has said that over the next 20 years, they plan to spend over \$31 billion in total capital expenditures between the sustaining of existing assets and developing new energy resources and capacity. And I'm just wanting clarification if that is, in fact, accurate.

The Chairperson: Thank you, Mr. Narth.

Mr. Danroth: I can confirm that the question that was put in front of us, which is over the next 20 years, that roughly—Manitoba Hydro plans to spend about \$31 billion in total expenditures. I can confirm that that is, in fact, the number that was presented at the GRA, on the record there, as well as—can be on the record here.

The Chairperson: Thank you, Mr. Danroth.

Mr. Narth: The reason why I ask that is because it's eerily similar to what was said 20 years ago. Over the past 20 years, 2004 to 2024, Hydro's debt-financed asset base increased by 250 per cent, or nearly \$20 billion.

How much has Hydro's energy capacity increased over that period as a result of this increase?

The Chairperson: Thank you, Mr. Narth.

Mr. Danroth: Yes, Mr. Chair, in answer to that question, that previous spend resulted in a number of increases. So at Keeyask at 700 megawatts; Wuskwatim at 200 megawatts; an intertie that allowed us to import up to 700 megawatts; as well as we installed a third bipole separate from the existing two bipoles, which is very important in terms of security and in the face of climate change and all these other things. And then also dam rehab at Pointe du Bois and various other maintenance and rehabilitation things, some of which have led to an increase in power.

The Chairperson: Thank you, Mr. Danroth.

Mr. Narth: So if Hydro had spent \$20 billion over 20 years to increase capacity by 20 per cent, is what the estimated calculation is, right, is it accurate to say that based on the track record of this Crown corporation, spending this proposed \$31 billion will see an increase in capacity of 31 per cent or less, given the increase in inflation?

The Chairperson: Thank you, Mr. Narth.

MLA Sala: I just want to jump in just to provide some clarification for the member.

So he seems to be mixing in reliability investments with new capacity investments. So you're jumbling them together, and I don't think that is a reasonable way to frame the question because it's confusing those types of investments.

So I don't know if the member wants to reposition his question, but the premise isn't accurate—is that those initial costs are a mix of major investments, as was outlined in reliability, whether it's in bipole or otherwise, and other new investments and new generation, like new dams.

The Chairperson: Thank you, Minister.

And a gentle reminder to all members to put your questions through—questions and responses through the Chair, please.

Mr. Narth: Sure, I'd restate that. I'm not trying to mislead anyone. I'm just wanting to highlight the facts: that we've seen a 250 per cent growth in debt for the

Crown corporation; and we're able to increase the capacity of the corporation by only 20 per cent. At what point is that no longer viable for this corporation?

So we're talking about \$31 billion needing to be invested. We can all appreciate increasing reliability and capacity and reliability of that capacity, however the minister wants to state it, but the truth of the matter is that the debt of the corporation is far outpacing the capacity that we're obtaining, and it's at an exponential rate—quite a concerning exponential rate.

And I'd like to know if the corporation or the minister representing this current government feels that that is the viable path forward to having a utility that's affordable for Manitobans in the long run, that's reliable for Manitobans in the long run and whether or not the description that I have presented of that \$31 billion should increase the reliable capacity—whether it goes more to reliability or more to capacity—but how much capacity will that \$31 billion provide?

The Chairperson: Thank you, Mr. Narth.

* (14:20)

MLA Sala: Again, I think the frame for the analysis is not appropriate here in that, again, you're mixing up major reliability investments over that period of time that you're questioning here, or that the member is asking about.

So it's not reasonable to say we spent this much money over this period, it created this much debt, it only resulted in this much increased capacity. It totally ignores the major reliability investments that were made there. So I think we just need to be clear about that frame for analysis that's been brought forward.

Broadly speaking, the implication from the member is that we're not managing Hydro responsibly, and that ultimately Manitoba Hydro and—through their leadership, are not managing responsibly. Because the implication of his question is that we're somehow, you know, not raising rates in a manner that reflects Hydro's ability to meet their obligations.

I would refute that. I would say we have a huge amount of confidence in the expertise and leadership at Manitoba Hydro to identify what those financial needs are. And, again, they're about servicing those obligations, those financial obligations, while heading towards that debt-to-equity ratio target.

And that is what serves as the, sort of, bigger frame for those decisions around what types of rate increases are required, and that rate increase path that's been brought forward—which, again, is focused on

affordability—reflects a reasonable rate path forward that will ensure Hydro can meet its debt obligations while bending towards that debt-to-equity target that they need to deliver on over the long horizon.

So, again, the premise of the question seems to be suggesting that Hydro is an unsustainable organization that is not setting rates at a level that reflects its actual financial pressures. I refuse to agree with that argument, and I think that, again, Manitoba Hydro leadership are doing an incredible job balancing the need to invest in more reliability, invest in more generation, while we focus on keeping rates affordable.

So, again, the rate path that was outlined in great detail through this GRA spells out—really, if the member is interested, I invite him to go look at the, sort of the deep, all the numbers that are provided and are on the public record as part of that GRA, which clearly spell out why the proposed rate path will ensure that Hydro can not only remain as a sustainable Crown corporation that meets the energy needs of Manitobans but that it can do that while it seeks to ensure that we deliver on those longer term debt-to-equity targets that will keep the corporation financially healthy for years to come.

So that's where the answer is to his question. And, again, I understand that for years the Conservatives have sought to make arguments about the need to raise hydro rates at rates that are faster than what Hydro's actual financial obligations might require. There's no question that's something they've sought to do for years. And, again, we've talked about bill 36 today. It's not a political statement to say that that bill sought to jack up hydro rates as quickly as possible in a manner that didn't reflect Hydro's actual financial obligations or their—you know, the cost that they needed to meet.

But I can share, again, and we've restored, I think, order to rate setting and we're ensuring that we're once again supporting an independent Hydro in making those types of recommendations and decisions. We've supported an independent Public Utilities Board who are now, once again, after the amendments we made, empowered to make those decisions.

And, again, we have all of these experts and, frankly, brilliant people whose job it is—and I'll remind the member—whose very job it is, is to ensure that Hydro remains financially healthy while we meet our reliability and capacity enhancement requirements, and to do that while we keep rates as low as possible.

So the entire premise of the question, I think, is misguided in that it seeks to advance an argument that Hydro is—again, we heard him say earlier, it's not a

viable organization. That's what underpins this argument, and I think fundamentally that that's wrong. And it doesn't reflect the organization as it is, nor the amount of expertise going in to ensuring that these things are kept in balance: affordable rates, reliability and new capacity.

So with that, maybe I would offer, if interested, the CEO or chair or CFO to offer any further commentary.

The Chairperson: Thank you, Minister.

Mr. Danroth: So I just want to say at the outset that one of the things we pride ourselves on at Hydro is we really try to be as independent as we possibly can while respecting the government of the day, and just pride ourselves on working with whomever is in power and just trying to work through the issues as they come.

What I can say, you know, looking forward on this \$31 billion is that, over the next 20 years, is you will have 700—excuse me—750 megawatts of CTs that will be in the south where the population primarily exists in Manitoba versus the North. You will have 600 megawatts of Indigenous wind, which we are not building but we will procure, and that may open the pathway for additional wind.

So if you look at the 20-year horizon and you say, what is the new generation possibility, it's quite significant, you know. Just on those two numbers alone, it's approaching 1,400 megawatts, and depends on what we do in the future beyond that.

I can also, again, and I made the point of independence at the start because I want to be very careful with what I say next. I try very hard not, Mr. Chair, not to criticize people that came in the past or previous governments or anything, but what I will say is, when you look at the previous 20-year spend of many, many billions, that I could—I could—sitting here today with the benefit of hindsight, make the argument that that spend maybe wasn't done entirely properly because the HVD system 20 years ago was at end of life. It needed to be replaced then.

And decisions were made, and I wasn't here, and I'm not going to criticize the decisions that were made, but decisions were made to not do the re-life of the asset then, or 15 years ago, or 10 years ago. Again, it's not my reason to question why other than just to point out the fact that you could make the argument that that work should have been done then and then we wouldn't have to do the work now and we could, to the member's point, we could take this money and go do something different.

But we are where we are. We have a system, as Mr. Fogg explained earlier, where our generation is principally in the North. We have three means of getting it down to the south: Bipole I, Bipole II, Bipole III, and two of them are really, really old. They are the longest tenured HVD systems arguably in the world and by the time we finish the refurbishment 10 years from now they will most certainly be the oldest systems in the world, and we have got to fix them.

And it's painful, I assure you. I do not like spending \$8 billion when it should have been spent previously, to spend that money and not have any additional capacity. But the other side of it is, is if we don't spend the money we won't have—we'll lose significant capacity.

I'll refer—we are here to discuss the annual report, and I'll refer to page 126, which shows our generating capacity and shows that we are maintaining roughly 6,100 megawatts of generating capacity. Great system, you know, a hydro system that we have, as I said at the outset, is a great system. When you build them, though, they're very expensive.

So if you go back in time to some of our older facilities when they were first built, I'm sure you can pull up news articles that will show that people at the time talked extensively about the expense and the cost, and because many of them last 100 years there is a point in time, 50, 60 years, whatever that is, when you have to re-life them, you have to refurb them.

And, again, it becomes very expensive. It's just the type of system that we have.

The Chairperson: Thank you, Mr. Danroth.

Mr. Narth: I greatly appreciate that response from the CEO. As I've stated all along, this is to paint a picture for us and all Manitobans on the position of Manitoba Hydro, and these comments and these questions, I think, are providing exactly that.

So I'd like to clarify a statement that the minister had made that I am advocating for further increases in hydro rates and mentioning that as a position that I'm taking and that, in fact, is not the case at all.

What I'm wanting to do is, like I've said, get the picture of the business model of the corporation so that Manitobans can understand the future viability of this corporation. And we understand when the minister talks about reliability, I think we all understand that, yes, you know, building any capacity needs to be reliable capacity.

* (14:30)

So whether or not the money spent, the additional debt, goes towards reliability or not reliability, I think it's, without being said, that we'd assume we're building reliable capacity and increasing the reliability of the system. But the fact of the matter is there's a couple ways of obtaining a position where we are in a profitable or we all—we can have that discussion on whether or not a Crown corporation needs to have—show profitability.

We were just in the MBLL Crown corporation committee, where we see another Crown corporation of this province is in a quite healthy profitable position—obviously a lot different than providing a utility to the public, and I understand that and all Manitobans understand that.

But what we need to figure out is the long-term future and the viability of that future for Manitoba Hydro, because as we see that we're needing to expand the debt to build the capacity that's needed and refresh that capacity because it's going to be the oldest in the world, as stated—which I a hundred per cent believe—we are needing to either change the structure, increase rates or be able to build some type of a market that can create future financial profitability.

So I guess to wrap that part of my questions together, I'd like to ask the CEO: The, you know—the future plan for Manitoba Hydro's financial viability, would that mean that Manitoba ratepayers may need to pay more—and it's a realistic ask to pay more—or can we find markets to sell our product so that we can build the capacity there and the financial profitability, or is it a structural change?

But it—you know, I—and I don't know why I even would need to be explaining this to the Finance Minister of our province, but I don't care if it is the balance sheet for our personal income and our household position, a small business, a farm within Manitoba or a Crown corporation; it needs to be financially feasible. And this corporation is going to obtain that through three different paths. So my question would be, which one of those do we see as the most attainable in the future?

The Chairperson: Thank you, Mr. Narth.

MLA Sala: I just want to ask the critic just to clarify. When he says which one of those is attainable, can you clarify what paths you were referencing, or—you seem to be suggesting there are three? Could you highlight them again for the table?

Mr. Narth: To clarify for the minister, those three would be a rate increase to the Manitoba user, if that's

our only market or our main market; the other would be a structural change in management, as we often see businesses' structural change to increase efficiencies in the profitability; or a sales market—a sales market that's able to generate new income for the corporation.

The Chairperson: Thank you, Mr. Narth.

MLA Sala: Just for further clarification, does the member mean privatization when he says structural change, or can he help provide some clarity? What could that mean other than some form of privatization? Help us understand that just so we can better answer the question.

The Chairperson: Thank you, Minister.

Mr. Narth: No, I'm not speaking to privatization. It would be just the structure of either, whether it be management, structure of delivery.

So as you're upgrading these generation stations and the lines, if there's efficiencies that can be found so that we can provide the electricity to those in the south as has been explained, that that's where the customer base is, if there could be structural changes within the corporation to more efficiently deliver the sale of our utility to the users in southern Manitoba.

So, like I say, I don't see there being another option. There's, sort of, three ways of addressing this; there's one of three. If there's a fourth or a fifth potential solution to the situation that we're in, I'm all ears, but I think it's one of those three. And which of the three does the corporation view as the path forward?

The Chairperson: Thank you, Mr. Narth.

MLA Sala: Okay, thanks to the critic for the question.

So, again, the premise of the question seems to be that there's concerns about viability, which—and he's asking, what are we going to do about it?

And I think the answer has been clearly laid out in a 10,000-page GRA submission, so there's lots of information that he can find there that summarizes, sort of, Hydro's current theory of the case as to how we're going to move forward while meeting our energy needs, ensuring reliability and keeping things affordable.

As far as the structural change that he suggests, you know, you wanted to get some information about, I would say, there. It's assumed that Hydro has organized itself in a way that ensures maximum efficiency for Manitobans. I'll, of course, invite the CEO to talk about that structure and whether he sees any other further opportunities to alter that to support any further levels of

efficiency. But, at this point, I mean, again, we as government have trust that Hydro has organized itself to ensure efficient delivery of services to Manitobans.

As far as the use of further external markets, which seemed to be another path that the member had identified, as he would know, Manitoba Hydro already works in a number of markets in the US. And, of course, Manitoba Hydro balances the sales of that energy against ensuring that we have the energy we need to meet the needs of Manitobans and uses some of the profitability there to ensure that we can keep rates affordable for all of us. And so I think, again, we'll invite Hydro to talk about that, whether they see further opportunity, but that's kept in careful balance, again, against ensuring that we can meet our own energy needs.

And then, again, the question of rate increases, will there be rate increases to help support Hydro's financial health? We have identified exactly what those are in the GRA. Again, it's a three-year path proposed at 3 and a half per cent. And those proposed rate increases, again, are supporting significant investments in increasing capacity and reliability over the next three-year horizon and, again, are focused on keeping a close eye on those longer term debt-to-equity goals. And so that reflects, I think, the work of the experts leading Hydro and their overall thinking and theory of the case as to how do we build more, create more reliability, keep rates affordable. We have trust in that.

And I think, you know, again, the question presupposes that things are not going well or that things are in a state of disrepair or something's not headed towards the right goal. I would argue that that's exactly what the folks on this side of the table are working on each and every day and are expert at. And I think that we've put forward, to answer the member's question at the highest level, the path forward is outlined in the GRA and will also be outlined in the IRP, which the member can expect to see more and hear more about in the months to come.

And I think, you know, those two pictures, I think, provide a very clear sense of how Hydro and our government is moving things forward, finally, after years of stasis and a failure to build any new energy while increasing hydro rates at a rate that exceeds the path that we've put forward here.

So, with that, I'm going to hand it over to the Hydro CEO if he's interested in providing more comments.

* (14:40)

The Chairperson: Thank you, Minister.

Mr. Danroth: As the member noted, there are some levers that we can pull at Hydro. But I'll start by saying that, you know, the thing that guides our work each and every day is really three things, which is, you know, affordability, safety and reliability. And we balance all of that against our debt.

When you look at the organization and you look at the income statement, any company's income statement, there's a couple of levers that you can pull. One is obviously rates. And in regards to pulling the rate lever, we just went through the GRA and many, many weeks of testimony, about 10,000 pages of submissions to different interveners and answered all sorts of questions, both myself and Mr. Fogg and our CEO, Hal Turner, as well as others.

So I think our, you know, idea on rates is very, very well-documented. To the member's point, there's—there are some other levers that we can pull, one of which is restructuring debt, which is something that I'd mentioned earlier, and it's something that Mr. Fogg and his team do all the time. As debt comes due, we're constantly looking at what we can do to shift our debt around to save money and improve our cash position.

We can look at our export markets. We do actively trade in our export markets. That's another lever that we can pull, and we're always looking for ways to optimize that and seeing if there's trends and opportunities within MISO, for us to do more there.

And then in terms of a structural change, which I understood with the back-and-forth between the minister and the member, that we're not talking about privatization but we're—it seems like what we're talking about is organizational restructuring and other efficiencies, or as it's commonly known as austerity measures. What I will say is, is that the organization for, really, going back over a decade has essentially been in austerity measures when anytime you look at, you know, rate submissions and then subsequently finding that the PUB is only going to give you, say, for instance, 1 per cent increase or something, that by itself causes us to look inward and look at our expenses. It's a constant thing that we're doing.

The new SAP project, which is one of our goals that I mentioned at the outset, is going to allow us better than ever before to really look into our \$31-billion organization with 5,000 employees, and once it's live, really put a sharper pen on things and really try to understand all of our spend and analytics and get into some more sophisticated analytics with Mr. Fogg

and his team to try to find ways to continue to find efficiencies.

That being said, we're not waiting for that. We're always looking for efficiencies anywhere where we can find them.

The Chairperson: Thank you, Mr. Danroth.

Mrs. Lauren Stone (Midland): Good to see you all again this year.

Floor Comment: Good to see you in person.

Mrs. Stone: Good to see you in person, that's right. Last year, unfortunately, there was—the weather and the roads were all closed. So, yes, it is great to be here in person this year.

I do have a couple of quick questions as regards to the GRA and the rate increases that Manitobans are seeing. So Manitoba Hydro regularly confirms and highlights the need to have predictable, stable rate increases in order to remain viable. You know, part of the reason of doing multi-year is to provide a bit of that predictability and stability for ratepayers as well as Manitoba Hydro's customers.

So if the CEO could please again confirm, had the government not interfered with the rate freeze last year, that the plan would have been to request a 2 per cent rate increase, as was determined by that multi-year rate increase process?

The Chairperson: Thank you, Ms. Stone.

MLA Sala: I appreciate the question from the critic. Good to see her too. Welcome back.

I'm happy to speak to the hydro rate freeze, which we were very proud to bring in to support more affordability for Manitobans. And I think one of the important things to highlight, as it relates to the rate freeze, was that this was a measure that was taken to prevent, ultimately, a 5 per cent rate increase that Manitobans were destined to receive under the bill 36 formula, that the former government had brought into play.

That bill, as I've talked about here earlier today, sought to determine hydro rates at the Cabinet table and it did that through implementing a formula that was fundamentally disconnected from Hydro's financial needs and instead, just really brought forward a formula that seemed to have been written on the back of a napkin that led to 5 per cent rate pressures year over year into the distant future.

So, again, knowing when we came in that that was a significant risk and, of course, we did make a com-

mitment to Manitobans in the election that we were going to bring in a hydro rate freeze, we first started by making legislative amendments to that bill that had been brought forward by the last government that, again, took away the role of the Public Utilities Board and Hydro as being the key drivers of determining what those rate needs were and instead, place that in the hands of political figures around a Cabinet table.

So the first thing we did is we made those legislative amendments through—by virtue of doing that, we eliminated this 5 per cent rate increase that Manitobans were going to see imposed upon them last April. So that was a first important piece to support that rate freeze.

The second piece was that we brought in an elimination of the capital tax and a debt fee that Hydro was paying to government. So we talked about that a bit earlier today. The total amount of money that ultimately those changes left back within Hydro was approximately \$200 million.

So as a result of that decision, Hydro had 200 million more dollars that stayed in the corporation and, again one—a 1 per cent increase in one year is roughly equivalent to about \$18 million. So I'll let the member do the math about what that meant, in terms of the additional dollars that we were able to leave with Hydro over that same period that the rate freeze was brought in to ensure that Hydro could remain fiscally sustainable and that they were able to continue doing the important work that they were doing.

All of this was brought forward with a longer term view, again, of ensuring that, as government, we work to keep rates affordable. We did that, I think, by virtue—with the elimination of the capital tax and the elimination of the—that debt fee. We helped to, again, depressurize the situation to a certain extent. That's something we're proud to have done. And that helped fundamentally to keep rates affordable. And it really underpinned our ability to bring forward a hydro rate freeze.

And so, you know, following that freeze, again, we're proud to have brought forward a rate path that I think is fundamentally affordable and, as I said earlier today, is actually more affordable than the rate increases that the former government brought in over their tenure, with the major distinction being that we're actually building things, and we're actually getting things done and moving our province forward.

* (14:50)

So we had many years there, under the PCs, where Manitobans were effectively seeing, again, a higher rate path—or they were seeing a higher rate path than we're currently on. And yet, we saw no development of new energy capacity. We saw no new major reliability investments. We talked earlier today about the importance of bipole and how important it was that we moved to start making progress on that incredibly important bit of infrastructure that brings that energy down to southern Manitoba. Last government didn't make one step in that direction. And so there was, like, a shocking degree of seemingly—seeming indifference towards ensuring that Manitoba could ensure that we had the reliable energy we needed and that we were ultimately going to have the energy we needed to support our businesses and our citizens to turn their lights on and build things and grow our economy.

And so very proud of the work that we've done in keeping rates affordable. Again, proud of that hydro rate freeze that the member is asking about. I think there's no question we've done this in a way that protects our overall fiscal position here for Hydro while ensuring, again, we're able to continue moving forward in building out the reliability and new capacity that we so desperately need after seven and a half years of PC leadership.

The Chairperson: Thank you, Minister.

Mrs. Stone: With all due respect to the minister, his rate freeze has now led to a 4 per cent rate increase on Manitobans, which isn't exactly affordable during a cost-of-living crisis and the affordability challenges that Manitobans are seeing today.

So further to my question. To the CEO and CFO directly, I believe I asked this question last year, and I think you did confirm that it would have been 2 per cent. Other factors at play is what that rate—multi-year rate increase would have predicted for last year had there not been a rate freeze.

So under the assumption that that would be operating at about \$40 million, as the minister has said, 1 per cent is around \$18 million. So let's say \$40 million, give or take. So Hydro has operated at a \$63-million loss last year, \$409-million loss this year.

So as a result of that rate freeze, how much fiscal pressure has now been deferred on to Manitoba Hydro as a result of that rate freeze this past year?

The Chairperson: Thank you, Ms. Stone.

MLA Sala: I appreciate the opportunity to talk more about the important rate freeze that we brought in to

support Manitobans and why it was a really important commitment that we made.

And, ultimately, to help the member understand, I'm happy to repeat some of what I offered in the last answer, which I'd hoped would help her see why, you know, this initiative ultimately was supported through government investment, through the elimination of that capital tax and that debt fee.

The other thing I just want to comment on is, she stated at the beginning of her question that she felt that our government was bringing forward 4 per cent rate increases. That's not accurate. The Hydro brought forward and we supported 3 and a half per cent increases over three years, which, again, is all reflected and outlined in the GRA documents that—of which there are many.

We know that the Public Utilities Board identified—and I think this is largely driven by a historic drought that we've had this year—that perhaps in the interim, a 4 per cent was needed, given the drought that Hydro is facing this year. That's interim. That's going to change.

And, of course, the PUB is committed to coming back on that interim rate request. So, again, to be clear and to correct the member, it's very important that—to say that we did not bring forward a 4 per cent rate path. And, in fact, you know, the broader claim that somehow we've created some kind of a rate pressure is just simply patently false.

When we came in—again, we've worked very closely with Manitoba Hydro to understand their needs, to understand their view of how we needed to move forward to ensure that they had the rates to support their obligations. We worked to ensure that we worked supportively to help them meet those needs. And we did that while we helped to depressurize, again, some of those challenges with those changes to the capital tax and the debt fee.

So that's an example of how our government has done the exact opposite of what the member is seeking to try to argue here today, and that's because we understand the importance of ensuring that Hydro is financially healthy. We've supported them and under—and have worked, again, closely to ensure that the financial needs that they've identified could be met through reasonable incremental increases to rates for Manitobans.

And, again, the last thing I'll remind the member of—because, again, they're arguing here today that that these rate increases are somehow far in excess of what they might otherwise be or she's perhaps arguing that

they're high—I'll remind her they're lower than what her government had over the course of their seven and a half years in power.

And, ultimately—and this is, I think, the thing that always shocks Manitobans when we talk about this and when we have a chance to speak openly and transparently about what happened over seven and a half years of their leadership—those rates were higher than what Manitobans will be paying over the tenure of this—of our government. And there's nothing to show for it other than, again, there's no new reliability investments, no new major capacity.

So they raised rates at higher levels than we have, and they have—they didn't produce any new capacity, not a single new megawatt. They didn't start on that bipole repair, which we've heard today was essential to ensure that we could have that long-term reliability. So we really had, to a large extent, a negligent approach to overseeing Hydro and ensuring that it could continue to meet the needs of Manitobans. That's their record.

Our record is about moving forward. And I'm very proud of the work that's happened over the last two years, again, under the former leadership of chair Ben Graham and the CEO, and now our new chair. We continue to get Hydro, I think, back on a focus on reliability and affordability.

And I'm not going to lie, like, when we came into government, it became clear that that failure on the part of the last government to act did create some challenges and that we knew we had to act fast to move forward in responding to this challenge. And I think we've done that in very short order, starting by bringing in the affordable energy plan, which is our broad-stroke energy policy that I think set the direction broadly for Hydro and we're delighted about the progress that's being made on that, again, in co-ordination with the Hydro leadership and their team in starting to move us forward in a number of important areas of energy policy.

But, of course, in the IRP, which is going to be—Manitobans will learn more about in the months to come, that will set our, you know, our broader path forward in terms of developing new capacity. And, of course, the associated development plan with the IRP spells out the proposed path forward.

So excited to, again, show Manitobans more of that progress that's being made; excited for them to learn more about how we're proposing to start that work of ensuring we have more capacity.

We've already, of course, announced 600 megawatts of wind energy in partnership with First Nations, which is—and the Métis nation of Manitoba, which is an—I think, a very exciting path forward in ensuring that we can meet our energy needs while moving forward with economic reconciliation and creating tremendous opportunities for First Nations and the Métis nation here in Manitoba.

And so that path forward, again, will become clearer, the broader path forward beyond the 600 megs of wind. We heard the CEO allude to it a bit earlier. More of that's to come forward in the months to come. And we're going to do that work while we protect Hydro's financial health and while we ensure that rates remain affordable. So I think we're balancing these things in a very good way and in a way that Manitobans haven't seen for a very long time.

The Chairperson: Thank you, Minister.

Mr. Danroth: Yes, Mr. Chair, as I said earlier in my testimony, I really don't want to speculate on what might or might not have been with or without the rate freeze. The fact of the matter is, you know, an election was waged over a number of issues, that being one of them, and it became a matter of policy, and our role is to follow policy and implement the policy that's brought forward.

What I will say—and we are here to discuss the annual report, and so I think it's wise perhaps to refer back to the annual report on page 26. And on page 26, really, that graph highlights the issue that we're faced with here at Manitoba Hydro, which is that in three of the last four years, we have not been able to come anywhere near meeting our average generation. We're in a severe drought three of the last four years and far below what our average generation should be, and that really is the issue. It's just drought.

We—you know, we are suffering the effects of drought. It's unfortunate. We are managing the system as best we can to meet the needs of Manitobans as well as meet the needs of our export requirements and just be the good stewards that we can of the organization.

The Chairperson: Thank you, Mr. Danroth.

Mrs. Stone: My next question is for the board chair.

Congratulations on your new position as well.

Can the board chair please inform the committee who the chair of the audit committee is on the board?

* (15:00)

The Chairperson: Thank you, Ms. Stone.

Mr. Wilson: Thank you for the question, for sure.

I'll take this opportunity. First, just I want to highlight—since it's my first opportunity to speak—to thank Ben Graham on—in his past contribution to the board. He was—it's big shoes for me to fill, to come in after Ben, a fantastic leader.

Specifically to the question, the audit and finance committee is still technically chaired by myself until we have a first board meeting. And then we will have to—we have a person—yes, so we'll be appointing Mala Sachdeva to the role of chair of the audit and finance committee. Mala's former—she sits on the board now—she's former deputy minister, CPA, former Deputy Auditor General of Manitoba, highly qualified for the role. She already sits on the committee. I'm really looking forward to working with her in that role, but we can't appoint her until we have the official governance process that the board practices.

The Chairperson: Thank you, Mr. Wilson.

Mrs. Stone: Thank you, Mr. Chair, for that answer.

Last year during committee, I had asked for a skills matrix of board—you know, a standard part of board governance, and a year later, I'm still waiting for it. So understanding that there's been some changes within the board itself, but the skills matrix should still, you know, maintain that level of governance.

So are you able to provide that today, and if not today, within the next week or two weeks?

The Chairperson: Thank you, Ms. Stone.

Mr. Wilson: Mr. Chair, thank you for the question.

I can provide to the committee that we can provide bios to the committee and that we are working on a matrix that's being updated right now through the governance committee.

The Chairperson: Thank you, Mr. Wilson.

Mrs. Stone: Okay, thank you. I look forward to receiving that once it is complete.

Just switching gears a little bit, the Premier (Mr. Kine) has repeatedly been on record—this question is for the CEO—the Premier's been repeatedly on record saying that Manitoba has enough capacity, yet Hydro in the past has said that we need more capacity and that we are, essentially, run—will run out of capacity within the next, kind of, 10-year time frame.

In your remarks to my colleague's question, I believe you mentioned, again, the need to have additional capacity. So I can understand why Manitobans

are a bit confused right now as to what Manitoba actually needs when it comes to Manitoba's capacity needs.

So if the CEO could just explain to the committee, what is it? Do we have enough capacity, as the Premier (Mr. Kine) has said, or do we need additional capacity for Manitoba's needs within the next five to 10 years?

The Chairperson: Thank you, Ms. Stone.

Mr. Danroth: I believe the minister and I had a race and we put our hands up at the same time, so I believe I defer to him.

The Chairperson: Thank you, Mr. Danroth.

MLA Sala: Thanks to the CEO for that.

So I can share that in relation to the position that we find ourselves after seven and a half years of the last government's leadership, or, when it comes to Hydro, perhaps a failure to lead, here, they unquestionably put us in a position where we had to move with purpose when we came in to bring forward a new energy policy and to work very quickly to bring forward an IRP that could be done, again, with the highest level of quality. We had to move very fast.

And that's because, again, for seven and a half years, we didn't develop one single megawatt. And so that—you know, that's something we talk a lot about in the House, so it's something that, of course, the members would probably prefer I don't continue to say over and over. They've, I'm sure, heard it many times, but it unfortunately is the truth. And so we were left in a position where there was something of an energy crunch that had been created as a function of their failure to develop new energy.

I think when we talk about the path forward, to be clear, Manitoba Hydro has energy as part of its reserves that currently in the years ahead are slated for economic development-type purposes. So when the Premier talks about us having energy to help support economic growth, there is an allocation within the planned path forward that will ensure that we can grow over the next few years.

However, the issue becomes, in the low 2030s, that's when we really know that we needed to move with intent to start to plug the hole that had been created by the former government. And that's why, again, when it comes to the wind energy that we'd announced, that 600 megawatts of wind in partnership with First Nations and the Métis Nation, we're want-

ing to see that energy come online as soon as possible, of course.

I know Hydro is working incredibly hard through that process and have done an incredible job moving that forward. I think the first RFQS is closing very shortly. That'll take us to an RFP process later, where we'll get the first round of folks coming in, and then there will be another RFQS later.

* (15:10)

So making really great progress and moving forward, again, with intent on the wind side.

We're already—as government, we've acknowledged the importance of moving forward with some CT generation. Again, it was identified earlier by the CEO that we're going to be bringing in 750 megawatts of new thermal generation to—here in southern Manitoba to make sure, again, that we can meet our energy needs going forward, especially during peak periods.

And so, again, there's never been any lack of clarity, I think, when it comes to telling Manitobans that the last government did not do what they needed to do when it came to ensuring energy reliability going forward. That said, we're responding to that.

And thanks to us having worked collaboratively with the incredible leadership at Manitoba Hydro, we've now put ourselves on a path to ensure that we can meet our energy needs while ensuring we can continue to support economic growth in Manitoba.

And, frankly, had we still had the last government in power, I'm not even sure where we would be, because in the absence, again, of their leadership on this file, we may still be sort of, you know, hoping and praying that we're going to have the energy we need in the low 2030s.

Thanks to the speed with which Hydro and the leadership there have been able to move and the way that our government has moved, again, with intent to respond to this need, we're on track and we're in a good position to ensure that as we get to those low 2030s, Manitoba is going to have the energy we need to support Manitobans' ability to turn their lights on, help our businesses to grow and keep Manitoba moving forward.

And I'm very proud of that progress we've made, and, again, that's not just government, that's hugely, you know, related to the capacity and leadership at Manitoba Hydro, so.

The Chairperson: Thank you, Minister.

MLA David Pankratz (Waverley): I'm just wondering if there would be agreement around the table for a 10-minute recess?

The Chairperson: Is there a will for a 10-minute recess?

An Honourable Member: Can we allow the CEO to conclude his remarks and then agree to a recess?

The Chairperson: Thank you, Ms. Stone.

Mr. Danroth: Mr. Chair, if I may, I'd just like to have a couple of minutes with my team to confer and see if we want to add anything additional.

The Chairperson: Thank you, sure.

Mr. Danroth: Mr. Chair, in addition to what the minister said, I'd just like to add a couple of quick points, if I may.

So, you know, I just want to reassure everyone that we have the capacity and the energy right now that we need to meet our needs. However, we operate in a world of very long timelines and we see out in the distance, based on the changing consumption patterns that we're seeing in the grid, not the least of which is the advent of EV vehicles, we see a pitch point and that—pinch point and the things that we're doing about that are really laid out in great detail in the IRP, which will be released in the not-too-distant future.

And so I would really, you know, refer to that document as being the document that will guide us going forward for—really, for the next 20 years.

The Chairperson: Thank you, Mr. Danroth.

So I'll put the question again: Is there agreement to have a 10-minute break? *[Agreed]*

We would be back in 10 minutes—timer is on—at 3:25.

The committee recessed at 3:15 p.m.

The committee resumed at 3:27 p.m.

The Chairperson: Will the Standing Committee on Crown Corporations please come to order.

Mrs. Stone: Last year, in committee, we asked quite a number of questions about the legacy contracts to the—to Minnesota. And so I'm just wondering if the CEO could walk through what that process looks like now, how much capacity is coming back to Manitoba with the cancellation of those legacy contracts. And just, I guess, a bit of an understanding that the legacy contracts that—were they being cancelled, not renewed

as some of them were coming to an end of their agreement anyway?

So if you could just walk me through where those legacy contracts with Minnesota currently sit.

The Chairperson: Thank you, Ms. Stone.

* (15:30)

MLA Sala: I just wanted to ask the critic just to restate the question, just to make sure I'm answering it properly or we're answering it properly. Can you just—again, just outline exactly what it was you wanted to learn about?

Mrs. Stone: So the legacy contracts that we have with Minnesota and, I believe, North Dakota, the Premier (Mr. Kineow) had announced that they would be cancelling some of those contracts of delivering power to those states with the challenges that we have seen with tariffs and what's happening in the US there.

So I guess I'm just curious as to how that process is going, how—if those legacy contracts were coming to an end of the agreement or—and just not renewed, or if they were full-out cancelled, and then how much additional power capacity will that bring back into Manitoba with the cancellation of those contracts?

The Chairperson: Thank you, Ms. Stone.

MLA Sala: Thanks to the critic for the question.

So one thing I'm happy to share is that all contracts are outlined online. You can find them on the Hydro website, and we can get more clarity as to exactly where they're located, but they are—there's public information outlining those contracts that are currently in place.

In terms of what's happened over the last year, we have seen two contracts be—ultimately come to a close that are seeing us return an estimated 450 megawatts back to Manitoba. And I think one of the important things I want to add here is, you know, these contracts provide us with really significant opportunities. Specifically, one thing I'm happy to talk about, and I'd invite Hydro, maybe perhaps the CEO or CFO to talk further about this, but it's the importance of seasonal diversity agreements.

So Manitoba Hydro is able to take advantage of relationships, I think usually with US customers, that see us providing them with our excess energy in the summer when we have a lower need for those megawatts, and in the winter, see us getting an arrangement where we're able to bring in energy from those jurisdictions to our advantage. Those relationships can

significantly depressurize the need for new resources and ultimately help us to deal with our peaking issue, which is to say that, thanks to those agreements, we're able to help ultimately defer the need for new investments in capacity.

So it can be a really, really advantageous type of arrangement, and I'm happy to maybe pass to Hydro to talk a bit more about how those seasonal diversity agreements can benefit us, or more broadly, if they'd like to speak to the question. But I think that's a fair summary of, I think, our use of these contracts and some of the ways that Hydro uses them to help to reduce rate pressure and keep rates affordable for Manitobans.

The Chairperson: Thank you, Minister.

Mr. Danroth: In addition to the comments supplied by the minister, I'd just like to add that, you know, our export contracts and, in particular, our seasonal diversity agreements are a really important part of our overall system management.

As the minister mentioned, in times of abundance, it allows us to help out our friends in MISO, given that their summer peaking load and, of course, in times of great chill and frost here in Manitoba, where perhaps we're struggling, it allows us to have certainty that we can bring some megawatts back across the border to help us out in the reverse.

So, key part of our system, you know, being the only Canadian province as a part of MISO, MISO being a system that extends throughout the mid-continent all the way down to the far south of the US, governing 14 or 15 states. So it's really important for us to be a part of that. It helps keep a stable system for us going forward and allow us to manage the system without having to incur costs to add new generation unnecessarily when we can rely on the seasonal differences between our two jurisdictions.

The Chairperson: Thank you, Mr. Danroth.

Mrs. Stone: Okay, thank you for that answer. I appreciate that.

Just switching gears a little bit, this question is for the CEO on Hydro International. How many contracts has Hydro International landed?

The Chairperson: Thank you, Ms. Stone.

* (15:40)

MLA Sala: So, happy to provide maybe some information and pass it over to the Hydro CEO or CFO to fill in any gaps. But as it relates to MHI, I just want to

take a moment to share that this is, I think, one of the things that we can be really proud of as a government, that we relaunched along, of course, in partnership with Manitoba Hydro, Manitoba Hydro International.

Manitoba Hydro International, as folks might know, was, I think, something that as a province, we can just be incredibly proud of. It was a—it's a subsidiary, of course, of Manitoba Hydro that, frankly, is like just an absolute hub of innovation, has produced some amazing work over the last many years and, of course, did a lot of really important work doing international consulting in markets around the world.

And the best part of that, of course, beyond the fact that it creates really interesting opportunities for Hydro employees to go abroad and learn new skills and perhaps make Hydro into an even more enticing place to go work, was—were the profits that it generated for Manitoba Hydro.

So we know that Hydro, in the international consulting business, in the software business, it had a number of lines of business that, again, produced yearly profits that we're able to go back to ensure a healthier Manitoba Hydro. And, unfortunately, for reasons that are beyond my understanding and the understanding of anyone I've spoken with, for whatever reason, the former government decided to shut down the work of Manitoba Hydro International. And that decision, I think, was a negative one on many, many levels.

First of all, one of the impacts was that we shut down this profit hub. So we had this, effectively, this golden goose that was, again, creating profits for Hydro, but was also making Hydro into an even more exciting, attractive place to work. So if you were an engineer, you were thinking about coming to work for Manitoba Hydro, suddenly you had the opportunity not only to perhaps serve Manitoba Hydro, which is, of course, a world-class Crown corporation energy business, but of course, this amazing subsidiary that would allow you to perhaps, if you want, go to countries like Côte d'Ivoire or otherwise to go bring our incredible knowledge here in Manitoba to other countries to support energization and energy reliability abroad.

So they cut Manitoba Hydro International. That, again, resulted in that loss of that productivity, of that innovation that was happening there. And another, I think, significantly, like, negative impact from that was the impacts on the expansion of broadband in Manitoba.

One of the subsidiaries of Manitoba Hydro International was Manitoba Hydro Telecom, which got caught up in some of the work of the last government in shutting down MHI. And ultimately, what they did was they removed Manitoba Hydro Telecom, which, again, was a subsidiary of MHI, in playing a role in connecting last mile ISPs, Internet service provider businesses, to ensure that we could expand broadband in northern, rural and First Nations communities. And because of that decision, I would argue that the last government actually put broadband expansion in rural and northern communities at a complete and total standstill for almost two years.

In the process, they also killed a number of businesses throughout rural and northern Manitoba, Internet service provider businesses who, if you talk to them, were incredibly proud of their partnerships with Manitoba Hydro Telecom, proud of that work and would constantly acknowledge Manitoba Hydro International and Manitoba Hydro Telecom as phenomenal partners in the work of expanding access to broadband around Manitoba. So multiple major impacts as a function of that.

And then I think one of the worst pieces of that decision was that, I think Manitoba Hydro International, and I would invite the team to correct me, but I think it was somewhere around 80 to 100 employees at the time it was shut down. I know that a significant number of those individuals, due to the shutting down of MHI, we lost those people to, you know, Stantec in Calgary or whatever in Toronto. That talent, that really amazing talent had to go abroad because, again, the former government decided to shut that down. So a really bad decision, unfortunately, and I think that's highlighted by, over the last two years, while Manitoba Hydro International shut down.

And, again, I'm going to invite Hydro team to comment or confirm this, but there were 30 separate contracting opportunities that were identified as having been missed as a result of that.

And what I'm very happy to share is that since their having been re-established, there are now four contracts that have been, I think, put in play. More to come. I think Hydro is actively working to continue to rebuild Manitoba Hydro International. Again, I'll invite the team to speak about what's been happening on the ground, but I know that over the last year, they've been doing that good work of standing up MHI once more. And, again, we can be really proud about the innovation and the work that's done there.

And so with that, I'd like to invite the team to maybe speak to the question.

The Chairperson: Thank you, Minister.

Mr. Danroth: So just a bit of background, then I'll provide a specific answer to the question.

So Manitoba Hydro International resumed operations of its international consulting business, Manitoba Hydro International Utility Services, following the announcement on July 29, 2024. This year, MHI began the process of reinstating the full scope of MHIUS operations, bidding on energy projects around the world in fields such as technical and advisory services and international power line technician training, as the minister has reported.

Since the resumption of operations, MHIUS has won four contracts since November. The re-establishment to date has created six positions that have been added as a result of the resumption. And it's an additive thing we view to the overall business because it allows us to share our expertise globally and provide support through energy management consulting.

MHI itself delivers an annual net income of about \$629 million. With resumption of operations, MHIUS is anticipated to increase the annual net income that MHI delivers once it gets its feet under itself.

The Chairperson: Thank you, Mr. Danroth.

Mrs. Stone: Switching gears again, as unfortunately I will have to leave here in a few minutes.

Last year, I had asked the CEO questions about whether Manitoba Hydro was looking at any nuclear opportunities in terms of renewable energy. As we've seen, Saskatchewan and Alberta are going very, very heavy into this space; Ontario very much is.

Manitoba has natural geological benefits for our geological suppositories to put in waste, being in the Canadian Shield. We don't get earthquakes, don't really get tsunamis like in other jurisdictions. So there could be, possibly, potential for Manitoba in that space.

So I'm just wondering if you could provide an update as to where Manitoba Hydro is at on a strategy for nuclear, or if there is a strategy at all.

The Chairperson: Thank you, Ms. Stone.

Mr. Danroth: In answer to the question, so, in terms of our IRP as it stands currently, the way the IRP is structured, it runs over 20 years. The first 10 years are pretty well set, and then the back 10 years are a little bit more speculative.

We continue to monitor the nuclear landscape, in particular what's happening in Darlington in Ontario, as well as what's happening with Tennessee Valley Authority, and then also what's happening with Saskatchewan.

As the member pointed out, Saskatchewan and Alberta have moved quite—ahead quite rapidly. And we're watching that; as the provider of affordable, reliable, safe energy, we don't want to be on the bleeding edge or even the leading edge. We don't want to be serial No. 1. We'd probably want to be serial much later, and only with the buy-in of the board and the shareholder of the day, whomever that ends up being.

So it's a situation that we monitor. We stay in close contact with SaskPower. They've stood up a nuclear division and are working very closely with Tennessee Valley. We'll continue to monitor that, and when we feel it makes sense, we'll bring that forward to our board and ultimately to our shareholder for discussion and decision around what we do.

So I wouldn't say that we don't have a strategy, but what I would say is that we're aware, we're watching very closely and we'll continue to monitor and we'll pivot when we need to pivot to do what's best for the people of Manitoba.

The Chairperson: Thank you, Mr. Danroth.

Mrs. Stone: Thank you, I appreciate that. And as I mentioned, and as you've mentioned, other provinces are really being aggressive in this space, so it would be good to see at least some kind of strategy or outlook as to what that could potentially be for Manitoba.

* (15:50)

We look at wind, we look at solar, you know, this is just another renewable energy within this space that, you know, we shouldn't—certainly should not close the door on if there is that opportunity here in Manitoba.

Could you—could the CEO give an update on where Pinawa stands right now? I understand that there is some money for decommissioning, cleaning up the plant there. So, you know, where are things at with that?

The Chairperson: Thank you, Ms. Stone.

Mr. Danroth: Mr. Chair, I'd be happy to answer that question, but I would like a moment to consult.

The Chairperson: Thank you. *[interjection]*

Mr. Danroth.

Mr. Danroth: Sorry. My apologies, Mr. Chair.

Mr. Chair, in response to the question put forward, we can't comment on Pinawa at this time. It's not our responsibility. Again, what I will reiterate, though, is we do an IRP process. It's our second IRP. We're very excited to release this, and no plan, as I like to say, survives the initial attack. So no sooner will we release it and then we will begin work on the third iteration of the IRP. Can't say when that—we'll see—and how long that process will take, but as I mentioned IRPs in general, in all jurisdictions, tend to look at, you know, the 10-year time horizon and then the 10 years beyond, that's a little bit more speculative.

So when you look at the next version of our IRP it may get contemplated there or maybe the one after. Again, we'll watch to see how things unfold in Darlington and see how things unfold in Tennessee Valley and see what the cost benefit is, the cost per megawatt is, and then advise the board and ultimately advise the government of the day on what we think is in the best interest of the people of Manitoba.

The Chairperson: Thank you.

Mrs. Stone: Speaking of renewable energy, if the CEO could provide an update on where things are at with the 600 megawatts of wind power, how many partnerships have been created, you know, how many groups from the private sector have come forward to partner with the Indigenous communities and those Indigenous partnerships. So, basically, yes, where are we at on that 600 megawatts of wind power?

Mr. Danroth: Mr. Chair, we have to be very careful on this front. I'll provide some high-level comments and then I'll turn it over to Mr. Fogg to provide some additional comments as this work is coming out of his group and his team.

We are in what's known as an RFQS stage, so request for qualified supplier. That stage is going to end in the next few weeks, at which point we will have a smaller group of what we would call qualified suppliers, qualified project proponents. Those project proponents will inform us as to what they think they can do in terms of both a site and a size and a timeline. And then based on a scoring template, our procurement team will make those decisions.

I actually can't comment specifically on the specifics. Both myself and Mr. Fogg get held out of a lot of the details and that's by design so that we can't sway the process one way or the other. We're very, very careful on our approach, both with the nations and with any proponents. We have had an informational day that we put on that we had a lot of uptake on that

and a lot of people that came forward to express their interest and share information and understand ideas from what we're doing.

But the process is moving along. We're excited and we're excited by any follow on RFP and RFQS processes that happen after that and I will, with the Chair's permission, I'll let Mr. Fogg step in and answer any other questions.

Mr. Fogg: You know, just to add on to what Mr. Danroth said and give a little bit more background, we did have what we described as a wind symposium that happened on March 19 of 2025, and that was really a kickoff to raise awareness amongst potential proponents for the wind power, and that brought together potential wind developers and Indigenous communities to hear what that process would look like and to allow them to have discussions amongst themselves around potential partnerships that would be forming.

After that, there was an expression of interest process to gain further market information around how we might structure an RFP or an RFQS, as we've discussed, and then a significant milestone was reached in October of 2025 when that request for qualified suppliers was issued.

And, again, as Mr. Danroth talked about, that's really a process to identify who those partnerships may be that have the experience, that have and have already established a partnership and have the capability to take on that wind work. And that process will be closing, really, in the next couple of days and we'll see the first iterations of that, and that will then proceed to issue RFPs for the next sets of calls for power.

You know, one of the other benefits, really, of that RFQS process, without getting into great detail, is it will allow us opportunities to onboard new qualified suppliers as we issue further RFPs. So if people aren't ready to participate today but they develop the capabilities later, they'll still have opportunities to participate in that call for power as well.

The Chairperson: Thank you, Mr. Fogg.

Mrs. Stone: So, as you mentioned that there was a great deal of interest, is Manitoba Hydro looking at expanding that even further? If there is that much interest, will it be taken up right away, 600 megawatts, or do you guys need more, essentially, is what I'm asking. Is there enough interest for that?

The Chairperson: Thank you, Ms. Stone.

A gentle reminder to put your question and responses through the Chair again.

Mr. Danroth: Yes, Mr. Chair.

As Mr. Fogg highlighted, so the first RFQS, it's an important first step, and then it will lead to an upcoming first round of request for proposals, what we're calling RFP1, which will happen in and around March 2026. And then from there, you know, we'll select proponents and begin negotiations on a power purchase agreement, again, after reviewing timelines and all the rest of this.

What I can say is I will not speak for government and, again, without having spoken to the board, but what I will say is, internally, we see a real opportunity here. I think we have a lot of areas that have really good wind regimes and certainly we could see an opportunity for more going forward, but that will be a decision that will be made in consultation with the board as well as the government.

And we really, as I said earlier with my comments on nuclear energy, as part of our mandate to provide safe, reliable, affordable energy, we want to walk through this versus run, and we are moving very aggressively through a timeline, actually much more aggressive than a lot of our other jurisdictions. But, nevertheless, we just want to try to get the first, whatever—one, two, three installations out of the way before committing to anything further. It's—we just really want to be very mindful and do things in a very methodical way.

The Chairperson: Thank you, Mr. Danroth.

Mr. Narth: Thank you for allowing me to pick up where I left off after my colleague asked some very important questions as well.

So where we left off was speaking to the investment in additional capacity, and it ties nicely into Mrs. Stone's questions. And if we look back we see that, in the past 20 years, we had some significant projects: Keeyask dam, the Bipole III.

And my question in regards to that is: How much new debt did the Keeyask dam and Bipole III cost the corporation?

The Chairperson: Thank you, Mr. Narth.

Mr. Danroth: Mr. Chair, if it pleases—with the Chair's permission, I'd just like to have a consultation here before answering that question.

The Chairperson: Sure. Thank you.

* (16:00)

Mr. Fogg: So what I can say is that Keeyask—the Keeyask Generating Station was a project that was somewhat less than \$8.7 billion. The Bipole III project, which was built in a similar time frame, was around the \$4.2-billion mark. The exact amount of debt for those two assets versus how much was funded from our self-generated funds, I don't have those exact numbers at hand, but those are the total costs of those two projects.

And, you know, the way it works when we account for those projects is they're very long-lived assets. So while you incur that debt, what actually happens is you depreciate them or you see them on your income statement, as is in the annual report, spread out over 50 to 100 years because they're such long-lived assets. And, you know, what we're seeing right now is just—there is significant value that both of those assets are providing Manitobans.

As we were talking about, you know, a new capacity need in 2030, having that Keeyask Generating Station and the 700 or so megawatts that it provides is hugely beneficial for the province. And similarly with Bipole III, we now have a second pathway out of the North to transmit that 70 per cent of power that we generate, which is particularly important when we're in a period where we're looking to modernize the existing Bipole I and Bipole II lines.

So, you know, those are their costs, but certainly generating a ton of value to Manitobans.

The Chairperson: Thank you, Mr. Fogg.

Mr. Narth: So then, since it's valuable and we've been told that we need to invest in building capacity similarly, those two projects, since coming online, have they generated enough revenue for Hydro to cover the interest payments on the debt that was taken to build them?

The Chairperson: Thank you, Mr. Narth.

Mr. Fogg: In response to the question, I think maybe it's important to clarify how Manitoba Hydro's regulated and how we work with the PUB. And how that works is it's what you call a cost-of-service model, or that's how we're regulated through the legislation as cost of service.

So when we go to the PUB and we submit our 10,000 pages or so, what they look through is how are we actually recovering the cost of that asset of Keeyask

or Bipole III over time from the ratepayers, and how is that spread across a residential ratepayer or a commercial ratepayer or industrial ratepayer.

But it ensures that we recover the cost in line with the life of the asset. I can't carve out interest specifically, but the model really works that we recover those costs through that regulation with the PUB in that model as I described.

The Chairperson: Thank you.

Mr. Narth: Okay. Back in 2018, it was estimated that our energy would be sold to the US markets for an average of \$36 per megawatt hour. This despite the fact that it was estimated to cost about \$140 per megawatt hour to produce.

What are the current numbers that we're seeing today, and how much does it cost per megawatt to produce, and at what rate are we now selling to the US?

The Chairperson: Thank you, Mr. Narth.

Mr. Fogg: So the rates that we have in our contracts with export customers are commercially sensitive so I really can't discuss what those rates are. But I can tell you is, you know, we also do have a portion of that power that's sold on the opportunity market or spot sale, if you will, at—which varies dramatically based on the time of day, based on the time of year.

So there's a ton of different opportunities; I couldn't pinpoint a single dollar amount that comes from that market. But we monitor that regularly, and we're actively looking to sell power when it's valuable for Manitobans and for the corporation to do so.

The Chairperson: Thank you.

Mr. Narth: Honourable Chair, I'd like to—and, again, this is to paint a picture of where exactly we're at and how much time—you know, this isn't a short game, as has been stated; it's strategic planning on a 30-year model as so was said, right?

So what would Hydro's timeline be for building the potentially proposed new generation station? So that's the Conawapa and the new Gillam generation stations. If the need for more power was over the next 20 years, when would they be completed? And—or if we were to start these projects, what is the timeline for them to be completed?

The Chairperson: Thank you, Mr. Narth.

MLA Sala: I think, like, as it relates to the question, I think it's important to state we're not going to engage

in hypotheticals here. And in terms of like a path forward, the IRP, which effectively represents a year's worth of effort, perhaps longer, on the part of Hydro—and a lot of people internal to the organization put a lot of effort into that—that IRP plan spells out, in association with the IRP, a development plan that I think very rigorously outlines a path forward here.

And I'm looking forward to the member, along with the rest of Manitobans, getting a chance to look at that plan.

The Chairperson: Thank you, Minister.

Mr. Narth: So then the question that I need to ask is, given the life cycle of this type of infrastructure, and we could use Keeyask as an example or some of the older ones, some that are 20 years over their life expectancy, will they ever generate enough energy and revenue to justify their expense?

* (16:10)

And I guess this isn't a doom-and-gloom question; more so what the question is, from strictly a financial standpoint, to tell Manitobans and not to give them misconception because we're clearly seeing that the financial viability of these projects doesn't translate into profitability on a balance sheet.

And I think many can understand that and accept that. But I think, right now, we're giving Manitobans a misconception that this is a corporation independent of the Manitoba taxpayer and that it stands alone and it's our crown jewel.

So it provides affordable hydro rates for us to heat our homes, provide hydro for—and electricity for, you know, the new age of electrification of transportation, and we have this all available to us by a corporation that we own when, in reality, the numbers just aren't adding up.

So is the CEO or even the minister able to answer whether or not these projects would ever generate enough energy to pay for themselves? And if not, then are we to be more clear with the Manitoba ratepayer that this is a corporation that we need to understand needs the support of the province? It's not stand-alone financially viable to service its debt without the support of the Manitoba taxpayer.

MLA Sala: I'm not clear on the premise of the question, but I think really at the heart of the question is, again, this assumption that Hydro is, as we heard the members say earlier, not a viable organization. So the presumption is that it's a losing business. We're investing in assets that are—we're not able to cover the

costs of through reasonable rate increases. That's the assumption that we're hearing sort of spelled out with the question is, you know, are we—is this a losing game? And I don't know what he's inferring in terms of suggesting that somehow government—or there needs to be other interventions financially.

But what I can say is, as we've said earlier, the answer to his question lies in the GRA that was just put forward. And that GRA accounts for a significant amount of investment that Hydro is going to be making over the years to come, whether it's from reliability through investments, reinvestment in bipole or whether it's in new capacity; for example, supporting 600 megawatts of wind.

We're doing that, and we're putting forward a rate path that is affordable and reasonable—again, lower than what the last government brought in. And those rates don't only account for, again, the need to support that new debt that's being taken on, but also have a longer term arc towards delivering on that broader debt-to-equity ratio.

That is the heart of what the member is asking about, and ultimately Hydro, I think, has done an incredible job here putting together a path forward with a correlating set of affordable rate increases—again, lower than the former government—that will set us on a course to improve debt-to-equity ratio. And that improvement to that debt-to-equity ratio is at the heart of what the member is getting at, which is, is the corporation fiscally sustainable?

The answer to that is, with the right moves and with the type of leadership we're seeing right now, a hard yes. And I think the rate path going forward—again, this shows that we can bring in affordable rate increases while Hydro moves forward in a—into a period of significant investment while we see the longer game and we're heading towards bringing that arc to that debt-to-equity ratio.

That's what's at the heart of what he's asking and, again, I have no question that the team in Manitoba Hydro has a very good grasp on the numbers and the analysis here that supports us being able to do what I just outlined. They've got access to all the details and, again, have the skills and capacity to deliver on that.

So, yes, Manitoba Hydro is a viable organization. Yes, we can continue to invest in new resources while still maintaining an affordable rate path. And that's exactly what the 10,000 pages of information that was submitted through part of this GRA process outlined.

So, again, I appreciate what the member is asking, but underneath all of these questions is the presumption that Hydro is not a viable organization, and we refute that entirely. And, again, the sustainability of the organization is outlined, the path forward is outlined in that GRA.

So I invite him to examine those documents closely, examine the math closely in there. He can deliver his own—or, come to his own conclusions about whether he feels that that information that Hydro provided to the GRA is accurate and reasonable. But that's the hard—that's the real meat and potatoes here that he's getting at, and the information has been publicly—made publicly available for all to see.

So I invite him to look at that, invite him to maybe have a somewhat more of a positive outlook overall on Hydro and on the skills of those who are leading the corporation and to know that while I understand the political intent of the question, I think it undermines the value being produced by those who are leading the corporation. And I think fundamentally what it's proposing is that Hydro is somehow on an unsustainable path when, of course, we know that not only as government are we intent on ensuring long-term sustainability, but I have every confidence that this team is also focused on the same.

The Chairperson: Thank you, Minister.

Mr. Narth: I'd like to move on to some administrative costs in the report. And since 2022, when the NDP—or, 2023, since NDP government took over, by what percentage have Hydro's expenditures on wages and salaries increased?

The Chairperson: Thank you, Mr. Narth.

* (16:20)

Mr. Danroth: Mr. Chair, I'll refer to the annual report that we're here to discuss today and, in particular, page 41 of the report, about in the fourth paragraph: In '24-25, operating and administrative expenses amounted to \$755 million, an increase of \$47 million or 6.6 per cent compared to the previous year. The increase in operating and administrative expenses is primarily attributable to higher wages and salaries due to wage increases and an increase in full-time equivalent employees, as well as higher employee benefit costs due to an increase in vacation expense, improved benefit offerings as well as year-over-year changes in benefit liability remeasurements.

In essence, what that's attempting to say, and just to add some clarity, is we've seen a real cost escalation

in some of our benefits, as have many employers across this country.

While—I'll also go on to say that Manitoba Hydro has almost 1,000 less employees than it did a decade ago. We experienced a significant reduction in staffing levels: 25 per cent reduction from 2016 to 2022, which impacted us greatly. The main drivers of this were the voluntary departure program, which resulted in a 15 per cent reduction in staffing levels.

So although the annual report on page 41 references some increases, I also want to get it on the record that, in the years prior, there were some significant decreases when 1,000 less employees were taken out of the organization.

The Chairperson: Thank you.

MLA Sala: I just want to add to what the CEO has offered and may be on the somewhat more political side: just to clarify that that reduction of 1,000 employees at Hydro was done as a result of a directive from the former government.

And I know that Hydro has been seeking to rebuild since then, but that put Hydro in a much more challenging position and carved, again, a huge number of people out of the organization—and glad to know that we're moving forward through that—through those challenges.

The Chairperson: Thank you, Minister.

Mr. Danroth: Just for additional clarity, some numbers here: so in fiscal year 2016-2017, prior to the voluntary departure program, we had 6,411 FTEs. This past year, at the end of the fiscal year '24-25, we had 5,490, so almost 1,000 less employees again.

And, you know, I just—I'll just say that, like most people running businesses everywhere, the complexity of our businesses and the things that we do have not gone down; they've increased. Whether it's increased regulation, whether it's increased safety regulations, increased environmental regulations, you know, that's just the regulatory compact that we operate in.

But suffice it to say that things are just more complex and increasingly complex year after year, and we're doing it with 1,000 less employees.

The Chairperson: Thank you, Mr. Danroth.

Mr. Narth: I appreciate that response from the CEO.

And what I'm trying to get from this—so I've run some calculations of my own and, correct me if I'm wrong, but it's been an over 30 per cent increase and—

which, as we've seen, that far exceeds the revenue increases of the corporation. So—you know, similar to the Crown corporation committee this morning with MBLL, we're—again, this is another area where we're seeing expenses outpace growth and revenue.

So is it fair to say that, you know, there needs to be some correction in that? And I don't mean by that—and I know that this is where the minister loves to get political, but don't take it wrong from me that this isn't saying that more people need to be, you know, laid off or removed from the position or that we need less staff or that the pay and benefits that they're receiving aren't what is needed to be competitive; but is it viable to continually have these expenses far outpace the growth in revenue?

So would I be correct that it's been a 30 per cent increase since 2023?

The Chairperson: Thank you, Mr. Narth.

Mr. Danroth: Mr. Chair, could the member please clarify—just because I want to give as good an answer as I can. The 30 per cent increase—can you just clarify the time frame and what numbers you're looking at, because I'm trying to figure out in the annual report, is there a page perhaps that you're referring to in the annual report that can guide this discussion?

Just any context you could give on the 30 per cent would be appreciated.

Mr. Narth: I'd have to take some time, as it—this is research that I—was done in preparing for committee, but it was taking the timeline from the—as far back as it goes to—this would be from also the previous report, so the end of 2023. So the 2022-23 report to now, the current report.

The Chairperson: Thank you, Mr. Narth.

MLA Sala: Just confirming with the critic. So, to be clear, that's over two fiscal years?

An Honourable Member: That's right.

MLA Sala: Okay.

* (16:30)

The Chairperson: Minister Sala.

MLA Sala: I appreciate the question from the critic.

So the—one of the—there's a number of drivers that are informing some of these O&A lifts that are being inquired about here. And I'm going to, of course, invite Hydro to dig into some of the details.

But I think it's very important that we highlight that Hydro was not left out of some of the decisions that the former government made when it came to bringing in zeros for collective bargaining processes for workers in Manitoba.

And so we saw, of course, they brought in a very unreasonable approach when it came to ensuring that Manitoban workers could have fair wages for the work that they were doing in support of Manitobans. And, ultimately, what happened was while perhaps in the moment there was a sense that they were reducing costs somehow, or I don't exactly know what the overall goal was other than to just to really hit workers and reduce their ability to, again, have their wages increase in relation to CPI and ensure that they were getting fair wages, but what we can say is that, ultimately, those bills came due not only for Manitoba Hydro but for organizations across the overall broader government.

And so that bill came due. Again, that was not the entirety of that lift to the O&A, but it's one of the major drivers. So we saw, I think it was zero, 0.75 and 1, which is what the former government had brought forward for workers across government writ large. Ultimately, when we came in, there was a significant amount of pressure there that had built up. Hydro, of course, leads these decisions on that employer side and are, I think, ultimately catching up to some of the—that deficit that had been created over many years of that approach to collective bargaining.

So that's a major driver here, along with some other items, and I'm going to invite the CEO and team to maybe fill in some gaps there.

Mr. Danroth: Yes, Mr. Chair, I'll just again draw attention to page 41, fourth paragraph, towards the bottom.

So, again, we've seen, in addition to increases in benefits, we have done some strategic increases in FTEs, although we're still about a thousand people below what we were previously. But we've done this in key areas such as trades training which, coming out of COVID, was absolutely decimated.

Additionally, we've got higher costs for cloud computing, as well as software subscriptions and other inflationary pressures. I think we can all agree that nobody's paying any less for anything since COVID. O&M is not just made of salaries and benefits; it's made of other things as well as materials, motor vehicles, supplies and other such things. So there's a lot of things that go into that number.

In terms of the question, I believe the question was asked, like, is it time to look at some sort of expense cutting, cost cutting, austerity measures, whatever you want to call it.

And as I mentioned previously, we're in the middle of an SAP project. What that project's going to do is replace our existing SAP instance, which is incredibly customized and end of life. By having an out-of-the-box solution, we're going to be able to, through Mr. Fogg's team, to engage in a lot more deeper analytics and analysis and really lean on the system to help identify areas where we can create greater efficiency and cut costs and do that sort of thing.

The Chairperson: Thank you.

Mr. Narth: Thank you to the CEO for his response on that.

I'll pivot to try to hit on some of the most important questions that I feel need some explanation and that the average Manitoban doesn't quite understand. And one of those is we keep hearing about peak demand. So could the CEO please define peak demand for the committee?

The Chairperson: Thank you, Mr. Narth.

Mr. Danroth: Yes, Mr. Chair.

Peak demand, you know, is that moment of instantaneous demand on the system that usually coincides with a long cold snap. It's not necessarily targeted exactly to the coldest moment of the year, but it's usually after a sustained, long period. We are a winter-peaking utility.

For further clarity, I can add that, in the previous five years, our peak had stood for about five years. And then in December—not this last December, but 13 months ago—we set a new peak, and then we—that had been in place for five years. And then about five weeks later, my understanding is we broke that peak again.

So it's something that, you know, we think a lot about, we study a lot. We have some very technical people that look at that. And peak demand is—really, across the utilities, is a very challenging thing because, obviously, there's a lot of things that are changing within the system. If you think back 20 years ago, average household had, you know—or, 20, 25 years ago, a household had a TV. And now households have four TVs and two PlayStations and four or five devices, one device for every person, a phone, and then additionally probably laptops for everybody and on and on and on.

And so although everything is LED and everything's efficient and changes have been made with the kind of light bulbs that we use and these sorts of things, it still remains something that always makes us scratch our head a little bit—not just us, but engineers everywhere—because it's evolving and it's changing. And, of course, EVs is contributing to that.

And that highlights the reason to do the SAP work that we're going to do because that is going to allow us to put in a replacement for our customer management system, which is currently Banner—a system called Banner. And by replacing that, then we'll be able to look at, you know, our board, and whomever the government is of the day, and be able to say, here's a suite of offerings that we can do to help work alongside the other Crown, Efficiency Manitoba, to manage demand as it comes and to work to try—you know, our goal really, and the goal of Efficiency Manitoba, is just to constantly try to shape that peak and knock that peak off and stop it in its tracks whenever it happens.

Mr. Fogg: And maybe just to add to what Mr. Danroth has outlined, if you turn to page 123 of the annual report, I think it does a pretty good job of identifying this electrical system capability, or the capacity, versus what the system actually supplies.

So right at the top of that table, you can see the capability, or what our system—what Manitoba Hydro's system has for megawatts that it can produce in any one year, with a maximum capability in 2025 of over—just over 6,000 megawatts. And you can see below that, immediately below that, what the Manitoba firm peak, or that instantaneous amount that was needed on that one day or that one moment, was—just over 5,000 megawatts that was needed. And this gives you a good picture over time of how the capacity of the system and what Manitobans has needed from that peak need has changed.

Below that is the system supply. So that's the actual use over the course of the year. So while that one peak happens in an instant in the year, you can see below how much we need to use throughout the year, and how that grows and changes over time as well.

You know, I think the last thing that's important, we've talked a lot about what we—our needs are in the future, that need date of 2030. But it was pretty telling to me, is when you look at that 2025 year under system capability and the per cent change year over year, it's a sizable growth from 2024; it's almost 12 per cent that that capacity grew. So that's a major thing that Manitoba Hydro needs to consider and plan for, is to

make sure that we're meeting that growing need for energy for electricity of Manitobans.

The Chairperson: Thank you, Mr. Fogg.

* (16:40)

Mr. Narth: We've got so much more that obviously we need to ask—need to ask to understand. It's complex. It changes; obviously, it changes yearly, but there's changes that we're seeing month by month with the Crown corporation.

This last response goes to show us that also the demand on the corporation and our system is rapidly changing; it's changing quicker than we've ever seen it before. We're seeing that, you know, whether or not it's an asset to the province, being that we have the Crown utility but electrification of transportation and further reliance on electricity demand. So it's, I think, really important that Manitoba Hydro keeps us updated, keeps Manitobans updated regularly.

So I'd like to put forward a motion, and that being said, that I move that this committee recommend to the Legislative Assembly that the Standing Committee on Crown Corporations be scheduled to meet quarterly to receive updates from Manitoba Hydro on their debt-management reduction plan progress and their business plan to return to profitability.

The Chairperson: Thank you, Mr. Narth.

Motion presented.

The motion is in order, and the floor is open for questions.

MLA Sala: Appreciate the motion brought forward by the member.

And I just want to say, you know, we've had, I think, for decades in this province, a process that offers the opposition a reasonable opportunity to engage in—directly with Hydro leadership. I think that process has served us well. Served us well, I guess, when I felt that it served us well when we were on the other side of the—of this table as well.

And beyond that, I think the proposal, in many ways, proposes to circumvent the role of the PUB. The PUB is there to do that important work, especially as it relates to, you know, some of the language I see in the motion which is about debt management, effectively ensuring that Manitoba Hydro continues on that important fiscal track, which is to see us through, again, reasonable rate increases, head towards that debt equity target, a destination over the long haul.

Hydro has effectively, you know, spelled out their case as to how we're going to get there as it—as we've seen with the GRA and the 10,000 pages of information that have been submitted through that process. So I don't think there's really a strong argument to be made that there's a need for more disclosure or more information we put out into the ether as it relates to this specific set of questions, which is looking further at Hydro's approach to debt management. The GRA path spells it out.

And so, again, we're not going to be interested in voting for something that would see us circumvent the PUB. And, again, we've had, I think, a really strong process here that served parties well for decades in our province.

Mr. Narth: The reason for this is that we see the time allotted by the government and an agreement through negotiation was four hours today. It's hard; it's the responsibility of opposition to be the critics of the government in their departments and, in this case, the Crown corporation.

We, and all Manitobans, greatly value the Crown corporation that is able to provide this very important utility to all Manitobans. There's a lot to it, though. There's a lot that Manitobans don't understand. I think there's a lot that much of government has been struggling with—with getting control of, and that's been outlined today.

There's changes that the current government—and the minister had made that comment that the corporation needed to move in a different direction at different speeds. So it's not all perfect and neither is any corporation and understandably this one, but we do see some very concerning stats that that are provided—were provided today—and through the public annual report. And everyone wants to see movement towards a more fiscal—a more fiscally feasible position for the corporation and that means debt-to-equity ratios improving and, in general, improvements in the overall feasibility.

I know the minister has concern with the terminology, the questioning the feasibility of the corporation, but we want to do our best and we want government and the Crown corporation to do their best to increase that feasibility from where we see it today.

Comments have been made that we're on that track and together with the approvals of the Public Utilities Board; but, again, stakeholders in this corporation are not the government, they are Manitobans.

And this is the opportunity—today is an opportunity—for Manitobans to ask the important questions and to hear those important responses, and as we're seeing that things need to change and have been changing rapidly, not on a 20-year projected plan that is exactly laid out and seen through as planned.

So I think it's reasonable that that we have the opportunity to get some of these updates from Manitoba Hydro to hold everyone accountable to the progress that needs to be made, that the corporation knows that needs to be made and that we can update Manitobans to give them reassurance in the greatly valued corporation that Manitobans are the shareholders and stakeholders in.

The Chairperson: Thank you, Mr. Narth.

MLA Sala: I do agree with the critic that Manitobans deserve information about the work that's happening and that's exactly what they're receiving. I can't say that—I don't know that the CEO or the team enjoyed sitting in front of the Public Utilities Board for—what was it—two or three weeks straight, but I would certainly suggest that that process provided a significant amount of transparency and accountability as it relates to Hydro's thinking around the path forward on the GRA.

They were subjected to expert questioning. This is a quasi-judicial environment. I don't know that we could ask for more in the way of accountability on the thinking and planning that Hydro has brought forward as it relates to that broader GRA and rate path question; as it relates to the sort of overall path forward when it comes to new capacity and the IRP. That, too, will be ultimately submitted to the Public Utilities Board, where it will be subjected to rigorous analysis by experts who will help Manitobans to get that important third-party perspective on the rigorousness and the quality of those plans.

* (16:50)

So while I appreciate the proposal that—to look at some other opportunities to come here and talk about Hydro's sustainability, again, I'd repeat that there's been a process here in place for decades that has worked very well and, ultimately, I would say there has been no shortage of public accountability on the part of Manitoba Hydro when it comes to advancing these plans and ensuring that they are fiscally sustainable.

The Chairperson: Thank you, Minister.

Any other speakers on the motion?

Is the committee ready for the question?

Some Honourable Members: Question.

The Chairperson: The question before the committee is that this committee recommends to the Legislative Assembly that the Standing Committee on Crown Corporations be scheduled to meet quarterly to receive updates from Manitoba Hydro on their debt-management reduction plan progress and their business plan to return to profitability.

Shall the motion pass?

Some Honourable Members: Yes.

Some Honourable Members: No.

The Chairperson: I hear a no. *[interjection]* I hear a no.

Voice Vote

The Chairperson: All those in favour of the motion, please say aye.

Some Honourable Members: Aye.

The Chairperson: All those opposed, please say nay.

Some Honourable Members: Nay.

The Chairperson: In my opinion, Nays have it.

The motion is accordingly defeated.

* * *

The Chairperson: Seeing no further questions, I will now put the question on the report.

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2025—pass.

The hour being 4:52, what is the will of the committee?

Some Honourable Members: Rise.

The Chairperson: Committee rise.

COMMITTEE ROSE AT: 4:52 p.m.

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