MANITOBA ECO-NETWORK

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Hon. Heather Stefanson
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Hon. James Teitsma, Minister of Consumer Protection and Government Services
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Hon. Anita R. Neville
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Hon. Kevin Kline, Minister of Environment and Climate
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Hon. Cliff Cullen, Minister Responsible for Manitoba Hydro
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Hon. Greg Nesbitt, Minister of Natural Resources and Northern Development
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Re: Request for PUB Review of Manitoba Hydro's Integrated Resource Plan

This letter documents the concerns the Manitoba Eco-Network has with Manitoba Hydro's Integrated Resource Planning (IRP) Process. The Eco-Network has previously engaged in several participatory opportunities associated with the IRP between May and December 2022. We did not participate in the most recent round of engagement due to our dissatisfaction with the process. Nonetheless, we reviewed the material presented in April and May 2023.

We strongly recommend that the Lieutenant Governor in Council refer Manitoba Hydro's IRP to the Public Utilities Board (PUB) for review under the new section 38.1(4) of *The Manitoba Hydro Act*. We recommend Manitoba Hydro and the Ministers responsible for protecting the environment and ensuring sustainable use of Manitoba's natural resources also encourage the Lieutenant Governor in Council to request a PUB review. It is important to uphold the PUB's ability to provide independent oversight of governance processes that will directly impact the lives of Manitobans and their surrounding environment. Independent review by the PUB will also improve public confidence and trust in Manitoba and the public officials responsible for moving Manitoba in a more environmentally sustainable direction.

To date, the Eco-Network is disappointed in the IRP process and has provided numerous suggestions for improvement. However, none of these suggestions seem to have been adopted, based on the recently presented draft outcomes. As a result, we continue to have serious concerns with how the IRP process has been undertaken by Manitoba Hydro and the problematic outcomes this flawed process seems to be encouraging.

Why is the IRP an important process?

Although integrated resource plans have been prepared by Manitoba Hydro in the past, this is the first time such a plan has been required by law.

There has been recognition from regulators and experts, including in the Wall Commission report, that past IRP attempts failed to capture best practice. Unfortunately, in the past this process has been treated as a basin-opening exercise, devoid of reference to previous IRP efforts, and siloed from other departments involved in supply and demand forecasts.

It is essential that we get this IRP right as we need to rapidly adapt to our changing climate, which requires careful planning for our energy system.

Process and Engagement

As mentioned in past submissions and conversations, the Eco-Network and its members have found the current IRP process problematic and difficult to engage in. This includes problems accessing important information like the draft IRP. The organization of information available to the public made engagement more complicated than necessary.

The purpose of public engagement opportunities also remains unclear. Although there has been acknowledgement that public input has been considered in the design of the IPR, there do not appear to have been any substantive material changes to the plan based on the public feedback received.

For example, participants have repeatedly noted that buildings are a significant portion of the energy demand and GHG emissions in Manitoba, and yet these were never added as a key input. Similarly, despite repeated questions about improving demand-side management, energy efficiency programs remain relatively flat across the scenarios. In short, we don't have confidence that our input was adequately represented in framing the IRP.

There is still a need for a wider public discussion about the IRP than the workshops have offered. With something so important, we expected open houses, and accessible public sessions. But instead, the engagement opportunities have been limited to a limited range of stakeholders.

Inputs, Scenarios, and Outcomes

Beyond our concerns about process, we take equal issue, if not more, with the inputs, scenarios, and outcomes that have been presented during this process. The Eco-Network has expressed these same concerns multiple times in engagement events and by letter, but they have not been addressed in any substantive way.

Inputs: In IRP best practice, the model comes first, and then the inputs which influence that forecast are identified, along with the potential scenarios. However, Manitoba Hydro has taken a backwards approach, where the demand and supply forecasts were introduced into the process after the potential scenarios were released.

This flawed approach leads to a number of questions that remain unanswered:

- Where is the information to support the demand and supply forecasts included in the IRP?
- How does it fit with the supply and demand forecasts submitted to the PUB as part of the General Rate Application (GRA)?
- How does it fit with the supply and demand forecasts that underscore the provincial energy strategy?

- What are the assumptions which frame the forecasts?

Scenarios: The scenarios are inadequate. The degree to which these scenarios were insufficient did not become apparent until they were paired with the supply and demand information. At this time it became clear that, while Scenario 4 is the most aggressive scenario (with respect to decarbonization), net zero is not realized until 2050. Other jurisdictions (with more fossil fuel intensive portfolios) have identified net zero much earlier. Scenario 4 should be the middle case, and there needs to be other scenarios which achieve net zero earlier (and even one that achieves carbon neutral).

The Eco-Network is also concerned about the inadequate attention paid to energy efficiency. For example, we understand that the combination of electricity and gas peak loads more than doubles the current electricity system. However, there is significant waste in the system. We want to see the full range of DSM/ Energy Efficiency options available, and how they are applied to the supply and demand forecasts.

While our organization does not endorse the Wall Commission report, we feel there are some noteworthy recommendations applicable to the development of the IRP that should be addressed. The current approach appears to conflict with recommendation #1.7 of the Wall Commission report, which recognizes the need for an IRP process in which DSM will be evaluated as a stand-alone resource and placed on an equal footing with other energy resource options. We also suggest the IRP process better align with Wall Commission recommendations #3.9 and #4.1 which encourage:

- The clarification of Manitoba Hydro's mandate in selecting projects to meet future energy demand; and
- Assessing the long-term risk and the compound risks of executing multiple projects together as part of the IRP process.

Making these changes would assist Manitoba Hydro in effectively identifying and managing risks, and ensure the IRP provides a framework to best determine the power needs of Manitobans and select the right supply options to fulfill them.

Outcomes: Although financial targets are important, there is a dearth of attention with respect to who has the burden of bearing those costs. Current supply and demand scenarios have customer classes as stagnant, when, in fact, the corporation has the ability to create new classes – for example a charging station customer class so that residential customers do not subsidize the individual driving patterns.

We also encourage Manitoba Hydro to adopt the Wall Commission's recommendation #1.1, which suggests transmission and generation both be considered in the IRP process. If there is a need (e.g., for reliability), it should be discussed in such a process along with potential solutions.

Outcomes we **do not want**:

- new natural gas generation (see Wall Commission recommendation 1.1),
- emphasis on carbon capture,
- new hydroelectric dams,

- small modular nuclear reactors (SMRs), or
- grey or blue hydrogen (we strongly suggest a cautious approach to green hydrogen while we come to understand its place in our energy portfolio).

The Need for PUB Review

The Wall Commission recognized the need for independent review, noting that the IRP "while led by Manitoba Hydro based on criteria set by Government, should be developed through a public process involving independent experts and overseen by an independent regulator such as the PUB, rather than by Manitoba Hydro alone." (Recommendation 1.1).

Beyond the need to address the above identified weaknesses of the current IRP process, there are other compelling reasons the PUB should review the 2023/24 IRP. This includes:

- The PUB was pivotal in ensuring that Manitoba Hydro complete a formal IRP, with specific recommendations dating back as least as early as 2014.[1]
- The PUB is well positioned to consider how the IRP integrates energy efficiency activities[2] and government energy and environmental policies[3] Indeed the PUB also recommended that Centra Gas be an active part of this process.[4]
- The PUB is well positioned to adjudicate the seemingly siloed components of IRP development.
- Reconciliation is critically important in Manitoba and has particular important in energy-based activities in the province. We know of the significant negative impacts of hydroelectric development on Indigenous communities, their traditional territories, and their constitutionally protected rights. It is not clear to us how First Nations and Metis governments were consulted about the IRP or how Manitoba Hydro worked with Treaty partners as part of the process. Although the PUB hearing process should only be a small part of meaningful engagement opportunities for Indigenous governments and communities, an independent review by the PUB would allow Indigenous concerns about the IRP to be better documented on the public record.
- The current approach is reliant on the proponent-driven input process, which has never been considered good practice for development initiatives. A PUB hearing would provide for a third-party engagement, something which is important for building public trust and transparency. This would speak to recommendation 1.1 of the Wall Commission, which called for a public and transparent process to update the plan.
- The material changes to the energy portfolio associated with Scenario 4, including the potential adoption of nuclear technology, the reliance on carbon capture and storage for EXPANDED use of natural gas (unproven technology, very costly), and major hydroelectric

[1] Recommendation 15 of the GRA.

[2] As required by the legislation 38.1(1)(b) and discussed extensively in the PUB efficiency Manitoba report to cite generally.

[3] Section 38.1(2) requires the IRP "be developed in keeping with the purposes and objectives of the Act" (a) taking into account (iii) the government's published energy and environmental policies. Given the status of the forthcoming provincial energy strategy, it is disingenuous NOT to reflect that report in the IRP.

[4] PUB efficiency Manitoba Report, Recommendation 29.

resources (counter to the Wall Commission). It is notable that through the scenarios, the most cost effective, environmental approach – DSM – remains relatively flat.

Conclusion

According to *The Manitoba Hydro Act*, the IRP is designed to incorporate energy-related polices, plans and activities across government departments and crown corporations and develop a clear strategy for meeting the energy needs of Manitobans. It should be undertaken "in accordance with the principles of risk management and economic and environmental sustainability" (s. 38(2(b))). This is an important task, particularly given the global shift toward electrification.

The current document, developed with limited input by key stakeholders, proposing a materially different energy portfolio than Manitobans use, is troubling. The key factors, scenarios and modelling assumptions need to be thoroughly canvased by independent experts. This is best achieved by the PUB, an independent body with strong organizational knowledge of Manitoba Hydro, Efficiency Manitoba, and the importance of IRPs.

As such, we respectfully recommend that that the Lieutenant Governor in Council refer Manitoba Hydro's IRP to the Public Utilities Board (PUB) for review under the new section 38.1(4) of *The Manitoba Hydro Act*. We also recommend Manitoba Hydro and the Ministers responsible for protecting the environment and ensuring sustainable use of Manitoba's natural resources encourage the Lieutenant Governor in Council to request a PUB review.

Sincerely,

Patricia Fitzpatrick, Ph.D.
Policy Committee Chair

Heather Fast, J.D., LL.M.
Policy Advocacy Director

About the Eco-Network:

Since 1988, Manitoba Eco-Network has promoted positive environmental action by supporting people and groups in our community. The Eco-Network's programming focuses on policy advocacy, engagement in consultation processes and developing capacity building tools that benefit the environmental non-profit sector and our member groups. We are a public interest environmental organization seeking to promote and facilitate good environmental governance and the protection of Manitoba's environment for the benefit of current and future generations.