

TERMS OF REFERENCE

Manitoba Hydro proceeded with developing the Keeyask Generating Station project (“Keeyask”) and the Bipole III transmission line and converter station project (“Bipole III”) during a time when the market price for energy was declining. Continuing with these projects has required Manitobans to deal with the costs, and the billions in related cost overruns, through increases in electricity rates that far exceed the expected rate of inflation.

As a result, the commissioner is to

(a) inquire into the following matters:

- 1 With reference to the actual or proposed in-service dates of Keeyask and Bipole III, to what extent did Manitoba Hydro pursue these two projects when they were not necessary, or not necessary at the time, to meet the province's then-anticipated electrical needs in a timely and cost-effective manner?
- 2 With reference to Keeyask and Bipole III, to what extent did the directions that the government gave to Manitoba Hydro
 - (i) promote economy and efficiency in the generation, transmission, distribution and supply of power in the province; and
 - (ii) result in Manitoba Hydro having to address matters beyond its statutory mandate?
- 3 To what extent were the estimated net benefits projected at the planning stage for Keeyask and Bipole III
 - (i) determined in accordance with best practices then applicable for such projects;
 - (ii) demonstrably superior to the estimated net benefits of proceeding with other options then available for addressing the province's then-anticipated electrical needs in a timely and cost-effective manner; and
 - (iii) based on sound export market forecasts?
- 4 To what extent did the Keeyask and Bipole III planning and approval processes of Manitoba Hydro and the government, and any other applicable approval or review processes, appropriately
 - (i) evaluate the commercial risk associated with each project and the risks of the two projects proceeding concurrently;
 - (ii) assess the allocation of the risks among those involved in the construction of the projects; and

- (iii) consider the immediate and long-term fiscal implications of the projects for the province and Manitoba taxpayers and Manitoba Hydro and its ratepayers?
- 5 Given the magnitude of Keeyask and Bipole III and the time lines necessary to complete them, to what extent did the oversight process that was followed after these projects were approved
 - (i) reflect best practices then applicable for such projects; and
 - (ii) mitigate the associated commercial risk and accommodate changing circumstances as they occurred?
- (b) make recommendations about the following matters:
 - 1 How should Manitoba Hydro's and the government's oversight of any similar project proposed in the future, including the planning, approval, procurement and construction processes for the project, be strengthened to ensure that:
 - (i) there is appropriate transparency and accountability for decisions;
 - (ii) the commercial risk associated with the project is appropriately evaluated and allocated, both on an individual project and on a systemic basis; and
 - (iii) the financial and fiscal implications of the project for Manitoba Hydro and the province are assessed in an appropriate and timely manner?
 - 2 Should Manitoba Hydro's statutory mandate be clarified to ensure that decisions concerning any such future project are in the best interests of Manitobans?
 - 3 Should the planning and approval processes for such a future project include additional regulatory approvals or an external review? If so, what form and manner should the regulatory approvals or external review take?
 - 4 If such a future project is approved to proceed, how should the project oversight process be improved so that:
 - (i) changes in circumstances are accommodated in a timely and cost-effective manner; and
 - (ii) verification is carried out at appropriate junctures to ensure that the project continues to be in the best interests of Manitobans?
 - 5 Are there prudent steps for the government and its Crown corporation Manitoba Hydro to take to restore the corporation's financial health, given the government's ongoing obligation to ensure that provincial finances are managed responsibly and that Manitoba has an attractive investment environment?

The Joint Keeyask Development Agreement is not within the scope of these terms of reference.