

Manitoba Hydro GRA

Preliminary Issues of CAC Manitoba and Winnipeg Harvest

Overview

In this document CAC Manitoba and Winnipeg Harvest present suggested criteria for determining the preliminary scope of issues for this proceeding. They note core issues common to every proceeding and identify the two central issues in this GRA:

- Are the impacts on consumers sustainable (people issues)?
- Would the proposed rate increase be required by a prudently managed corporation (health of the corporation issues)?

CAC Manitoba and Winnipeg Harvest also provide a thematic discussion of certain issues raised by this application. Their list is preliminary and not intended to be exhaustive. They do not expect that they will be the primary intervenor on all issues listed.

Criteria

An appropriate issue is one that is relevant and material to the determination of just and reasonable electricity rates for Manitoba Hydro's retail monopoly.

(CCPRAA, s. 26 (1), PUB Act, s. 77)

It is recognized that issues will evolve as the hearing progresses.

Core Issues in Every Proceeding

Consistent with the Board's guidance in *Orders 5/12* and *98/14*, there are a number of core issues in any Hydro general rate application¹:

¹See also s. 26(4) of the CCPRAA. [26\(4\)](#) In reaching a decision pursuant to this Part, The Public Utilities Board may (a) take into consideration (i) the amount required to provide sufficient moneys to cover operating, maintenance and administration expenses of the corporation, (ii) interest and expenses on debt incurred for the purposes of the corporation by the government, (iii) interest on debt incurred by the corporation, (iv) reserves for replacement, renewal and obsolescence of works of the corporation, (v) any other reserves that are necessary for the maintenance, operation, and replacement of works of the corporation, (vi) liabilities of the corporation for pension benefits and other employee benefit

- Are the forecasts of Manitoba Hydro reasonably reliable as they relate to the rate setting process?
- Has Manitoba Hydro demonstrated that its actual and projected costs incurred are necessary and prudent?
- Has Manitoba Hydro demonstrated that its revenue requirement is reasonable in the context of its overall general health?
- Has Manitoba Hydro demonstrated that there is an appropriate allocation of costs between classes of consumers?²
- Taking into account the statutory objective, what is a just and reasonable rate for Manitoba consumers?

There really are two central issues

The Courts have repeatedly confirmed that the essence of rate regulation is the balancing of the interests of ratepayers and the monopoly taking into account the public interest.

In this hearing, there are two central issues:

- Are the effects of the proposed rate increases sustainable for Manitoba industry, business and consumers including persons of fixed and modest income, those living in substandard houses and those who use electricity for both heating and lighting (people issues)?³
- Would the proposed rate increased be required by an economic, efficient and prudently managed corporation (health of corporation

programs; (vii) any other payments that are required to be made out of the revenue of the corporation, (viii) any compelling policy considerations that the board considers relevant to the matter, (ix) any other factors that the board considers relevant to the matter; and (b) hear submissions from any persons or groups or classes of persons or groups who, in the opinion of the board, have an interest in the matter.

²Given the time that has passed since a COSS proceeding, this issue is problematic for the current GRA.

³Schedule A to the *Sustainable Development Act* confirms that “Economic decisions should adequately reflect environmental, human health and social effects.” Article 11(1) of the International Covenant on Economic, Social and Cultural Rights (ESCR) confirms the right to adequate housing. In General Comment 4, the ECSR Committee confirms that “all beneficiaries of the right to adequate housing should have sustainable access to energy for cooking, heating and lighting.” Report of the Special Rapporteurs on adequate housing and extreme poverty and human rights, November 26, 2013, p. 2.

issues)?

Our general commentary below is divided into people issues and health of corporation issues. We would observe that other potential intervenors such as MIPUG, the City of Winnipeg, MKO and MMF may be better placed to offer commentary on issues related to large industrials, area and roadway lighting and business.

People Issues

- What are the implications for consumers of recent, proposed and forecast hydro rate increases? Going forward, what measures or evaluative tools does Manitoba Hydro have in place to monitor the effects of double the rate of inflation increases on all consumers including vulnerable consumers? What additional cost effective remedial actions, if any, does Manitoba Hydro propose to address consumer vulnerability?
- Does the proposed pace of rate increases raise issues of intergenerational inequity? Does the proposed pace of rate increases accurately reflect existing cost pressures or does it serve to front load costs for today's consumers which should more properly be borne by or shared with future consumers?
- Are Manitobans receiving an adequate standard of service for their rates (“rates for service”)? How are Manitoba Hydro's service standards determined and are the standards credible as measured by industry practice and meaningful community engagement and evaluation?
- Are efficiency tools to reduce bills and to shift and reduce load being offered in an accessible, cost effective manner? Do vulnerable consumers including low income persons, those in inadequate housing and those living in remote communities have equitable access to cost effective, energy efficiency programming?
- Is energy efficiency programming being operated in a reasonable and prudent fashion consistent with leading North American standards? Are

the material savings promised by DSM 2 and Power Smart 2014 being realized in a cost effective manner? Are the claimed savings by Manitoba Hydro credible and supported by robust, independent evaluations?

- What are the implications for consumers, including all electric, of DSM 2 elements such as inverted rates? What steps has Manitoba Hydro taken to meaningfully engage with stakeholders on its inverted rates endeavour? What credible evidence does Manitoba Hydro have to support its estimates of consumptions savings associated with DSM 2 inverted rates?
- In areas such as Hydro's staff retention, planning capacity and cost effective program delivery over the next one to three years, what are the implications, if any, of legislative efforts to modernize energy efficiency planning and delivery in Manitoba?
- What are the implications for Manitoba ratepayers as a whole of Manitoba Hydro's bill collection activities including disconnections? Given revelations during the NFAT proceeding of a high level of bill arrears in certain communities and the implications of those arrears for the delivery of energy efficiency services, what steps has Manitoba Hydro taken to address these challenges? Does a disaggregated look at disconnections by region or by community suggest particular concerns for ratepayers as a whole and for specific communities?

Health of the Corporation Issues

- Has activity on Conawapa actually ceased? What are the implications for staffing levels, internal costs and external contract costs of the decision to proceed only with Keeyask at this time?
- Has Manitoba Hydro demonstrated that its management of existing electric generation, transmission and distribution infrastructure is cost effective, properly prioritized and consistent with modern capital asset good practice? Has it Hydro demonstrated that the proposed pace of

renewal is consistent with modern capital programming prioritization and challenges to existing service standards?

- Are the financial targets of Manitoba Hydro appropriate for a Crown Corporation in the midst of a major decade of capital spending? What are the implications of the financial targets of Manitoba Hydro for the policy objectives articulated under *The CCPRAA*, *The Hydro Act*, *The Affordable Utility Rate Accountability Act* and *The Sustainable Development Act*?
- What if any developments have there been in the capital cost expectations for projects such as Keeyask, Bipole 3 and Pointe Du Bois? What implications do any changes in capital cost expectation have to the risks faced by the Corporation? Using Capital Program Justification documentation and other tools, can Manitoba Hydro demonstrate that its estimates of future major capital costs are reasonably reliable? Can Hydro demonstrate that its management of ongoing capital projects is reasonable and prudent?
- What are the implications of recent developments in the export market for the reasonableness of Manitoba Hydro's revenue and cost projections? What are the implications of ongoing developments in the export market to Manitoba Hydro's business risk?
- Given recent economic developments and insights gained during the NFAT, are Manitoba Hydro's forecasts including those related to export revenues, capital costs, load, inflation and interest rate credible and appropriate for rate setting purposes? What, if any, methodological revisions has Hydro undertaken to modernize its forecasting methodologies?
- Is Manitoba Hydro able to demonstrate a cost effective and prudent management of risk including exchange risk and interest rate risk? Is the Corporation's management of interest rate costs prudent and

reasonable?

- Is the proposed treatment of depreciation costs prudent and reasonable? What is the implication, if any, of IFRS for proposed rates?
- Do proposed time of use rates effectively balance the interests of all ratepayers with the interests of those who choose that option?
- Does the Corporation's proposal with regard to diesel rates and diesel matters effectively balance the interests of all ratepayers with the interests of those directly affected?