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January 8, 2014

Mr. H. Singh
The Public Utilities Board
400 - 330 Portage Avenue
WINNIPEG, Manitoba R3C 0C4

Dear Sir:

RE: MANITOBA HYDRO NFAT
PROPOSED MIPUG PUBLIC SECTOR FINANCE WITNESS

Manitoba Hydro is in receipt of MIPUG's December 13, 2013 proposal to retain Dr. Janice MacKinnon to provide evidence in the NFAT proceeding with respect to:

1. The risks arising from the sheer magnitude of the plan and borrowings in relation to provincial public sector economy;
2. The affordability of the plan from a provincial public sector finance perspective;
3. The appropriate analytic tools to apply in assessing the degree of certainty, or the financial returns, that should be required in order to justify this magnitude of plan;
4. The balance of risks between the provincial government and Hydro ratepayers;
5. The appropriate approach to assess a long-term opportunity in light of current and ongoing fiscal pressures over at least the next two decades.

Evidence Not Within MIPUG's Approved Scope of Work

In Order 67/13, the PUB granted Intervenor status to MIPUG with respect to the four issues:

- a) Impact on domestic rates, including long term impacts;
- b) Risks to domestic customers through Manitoba Hydro's investment in subsidiaries, export ventures and new Programs;
- c) Alternatives to Manitoba Hydro's Preferred Development Plan including demand side management programs; and
- d) Risks including long term financial and economic risks and the financial liability of Manitoba Hydro.

MIPUG now requests an expanded scope to examine Manitoba Hydro's development plans in relation to the Province of Manitoba's finances. Notably MIPUG wishes to explore potential effects of the Preferred Development Plan to public sector finances and presumably have the

PUB include in its recommendations whether, “...*regardless as to the core business case, can a province the size of Manitoba afford the sheer scale of investment and borrowing required by the preferred development plan without impinging on the ability to serve future obligations and services*”. Impacts on the province’s ability to borrow or to invest in other measures to develop the province such as infrastructure, education, tax advantages are specifically identified as considerations to be reviewed.

Manitoba Hydro submits that MIPUG’s approved Scope of Work relates to the potential impact of the Preferred Development Plan on Manitoba Hydro and its domestic customers. No provision was granted in PUB Order 67/13 for MIPUG to examine the Province of Manitoba’s non-hydro public sector fiscal policy or budgetary priorities.

NFAT Terms of Reference Pertain to Manitoba Hydro and not Provincial Fiscal Policy

The NFAT Terms of Reference direct that at the completion of the NFAT review, the PUB is to issue a report which will “*include recommendations to the Government of Manitoba on the needs for Hydro’s preferred development Plan and an overall assessment as to whether or not the Plan is in the best long-term interest of the province when compared to other options and alternatives*.” The Terms of Reference do not direct nor provide the PUB with authority to review or make recommendations with respect to provincial non-hydro public sector finances, the provincial non-hydro funding capabilities or Manitoba Hydro’s requirements in relation to other provincial budgetary priorities. Such matters are properly for government determination and ought not form part of the NFAT proceeding.

Manitoba Hydro notes that MIPUG cites the Morrison Park Advisors (“MPA”) Scope of Work as a basis for MIPUG’s request for an expanded scope. It is not appropriate to apply an interpretation to the PUB’s Scope of Work for the purpose of expanding the PUB’s mandate under the Terms of Reference. There is no need for MIPUG to engage its own expert to duplicate the work of MPA, nor is there time available for such duplication.

Conclusion

The risks and magnitude of Manitoba Hydro’s development plans as they impact rates are within the scope of the NFAT. It is also appropriate to consider how the development plans will potentially affect Manitoba Hydro’s self-supported financial strength and the utility’s financial metrics.

The expanded MIPUG scope that seeks to examine the Province of Manitoba’s fiscal policy and public sector finances is not within the scope of the NFAT Terms of Reference.

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Therefore, it is Manitoba Hydro's view that MIPUG's request for approval of this witness to speak to areas outside of the NFAT Terms of Reference ought to be denied.

Yours truly,

MANITOBA HYDRO LAW DIVISION

Per:



PATRICIA J. RAMAGE
Barrister & Solicitor

cc. Antoine Hacault
Bob Peters