VOLUME 9

Index – MIPUG Book of Documents

Manitoba Hydro's Needs For and Alternatives To (NFAT) Review

April 17, 2014

TAB 1

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA HYDRO
COST OF SERVICE STUDY

Before Board Panel:

Graham Lane - Board Chairman
Robert Mayer - Board Member
Kathi Avery Kinew - Board Member
Len Evans - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
May 24th, 2006
Volume VII
Pages 1305 to 1542

MR. WILLIAM HARPER: That's correct.

MS. TAMARA MCCAFFREY: So if I'm a customer receiving these efficient price signals, I'm paying a market price for my generation plus paying embedded costs for my wire service; fair?

MR. WILLIAM HARPER: That's correct.

MS. TAMARA MCCAFFREY: And just to go one (1) more step, if I'm a customer in Ontario I'm also paying a debt retirement charge related to nuclear facilities; is that right?

MR. WILLIAM HARPER: Well, it's more than nuclear facilities. At the time that they did the market restructuring they looked at what the -- I think Ontario Hydro's debt ratio was in excess of 100 percent at that point in time.

So but they looked at what the -- what they thought was a reasonable commercial financial structure for each of the successor companies, the difference in debt was transferred over to the provincial government and it's held by the Ontario Electricity Finance Corporation.

And basically there's a debt retirement charge that goes in everybody's bill basically to retire that debt over time.

MS. TAMARA MCCAFFREY: So everybody pays

it?

MR. WILLIAM HARPER: Yes, that's correct.

MS. TAMARA MCCAFFREY: So ultimately then, the Ontario customers bore the risk and responsibility for Ontario Hydro's decisions to construct the facilities, is that right?

MR. WILLIAM HARPER: Yes, you know, you know you could say the Province is ensuring that electricity consumers pay for sort of the electricity costs both past and present.

MS. TAMARA MCCAFFREY: I just want to talk to you a little bit about Mr. Lazar's proposals to include CO2 emissions in the cost of service.

You're familiar with that proposal?

MR. WILLIAM HARPER: Yes I am.

MS. TAMARA MCCAFFREY: You'd agree that these are not really costs for Manitoba Hydro?

MR. WILLIAM HARPER: No, they're not -- they're not costs that Manitoba Hydro incurs.

MS. TAMARA MCCAFFREY: Have you ever seen an embedded cost of service study includes costs of this type with all your breadth and years of experience?

MR. WILLIAM HARPER: Actually, no, I haven't.

MS. TAMARA MCCAFFREY: And I take it you

TAB 2

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA HYDRO

GENERAL RATE APPLICATION

2012/13 AND 2013/14

Before Board Panel:

Regis Gosselin	-	Board Chairman
Raymond Lafond	-	Board Member
Larry Soldier	-	Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

December 12, 2012

Pages 420 to 686

million compared to $37 million the previous six (6) months.

On page 9, probably -- probably the most important slide of the deck, I suppose, is this one that shows what -- summarizes a couple of important points I want to make here, actually. Maybe I'll start with the net income at the bottom. It shows that we have -- are -- according to our financial forecast just released on Friday, net income is projected at 53 million for the -- for the first test year, and 60 million for the second test year.

However, there -- that does include what is referred to as non-controlling interest. And I've highlighted that issue because the non-controlling interest is income from our partner, Aboriginal partner at Wuskwatim, Nelson Hou -- or, NCN is our -- the partner we have at Nelson House that, according to -- to the development agreement, the project development agreement we have with NCN, we share as a partner -- we -- as partners we share in the revenues and costs of -- of Wuskwatim proportional to the -- our equity ownership, so NCN has 33 percent ownership in Wuskwatim generating station.

At the time the agreement was negotiated with NCN, going back to 2006 -- and as indicated on my first slide, the world has changed dramatically since that period in time. Whereas we were projecting income from Wuskwatim, Wuskwatim is now contributing to costs on our income statement because of the -- because of the drop -- primarily because of the drop in export revenues.

That means that instead of sharing in a -- in a profit on Wuskwatim, NCN is contributing towards a loss. So the $14 million that is showing here is non-controlling interest in 2012, and 24 million in '13/'14 is NCN's contribution towards the loss at Wuskwatim. That is not going to happen. I can tell you right now that that is not -- we are not going to receive that 14 million, we are not going to receive that 24 million to -- the agreement is in the process of being renegotiated because of the conditions we're experiencing now with export revenues.

It's a big issue for us, but it's one that the Board should be aware of, that the net -- that the -- really the focus we should be -- as far as these proceedings are concerned, the focus of net income for '12/'13 is 39 million, and for '13/'14 is 36 million.

At the time we were preparing our financial forecast we really had no alternative but to prepare in accordance with the development agreement we have with NCN. We did that, though, being fully aware that neg -- negotiations were under way. We -- those enga -- negotiations are continuing as we speak, have not concluded an agreement, but I can tell you with absolute assurance that that income from non-controlling interest will not be received.

So we are looking then at net income in '12/'13 of 39 million if -- if we get approval from this Board of the 80 million that is being requested with this rate application. And similarly, in '13/'14, 36 million net income if we receive approval for the 119 million of additional revenue, or at least, application we have before this Board. In the circumstance that any or all of that is not approved, of course that will go right to the bottom line and we will incur losses of some magnitude in each of those years.

So just going over those increases then, the -- the 35 million, 1 percent rollback is -- includes 23 million accumulated to the end of 2012/'13, plus an additional 12 million for this current fiscal year, '12 -- or, for the '12/'13 fiscal year. And a further 12 million in the subsequent '13/'14 fiscal year. The 25 million referenced in -- effective April the 1st 12 -- 2002 (sic) is -- is what we have interim approval for from this Board; likewise, with the 2 1/2 percent, September the 1st, 2012, we have interim approval. Then we are seeking additional approval of 3.5 percent which will generate revenues of 48 million in thir -- in the '13/'14 fiscal year.

It also assumes that we will achieve the export -- extraprovincial revenues that are forecast for '12/'13. And as Mr. Cormie will indi -- inform you of in his testimony there are some issues associated with that as well.

Okay. So we'll turn to the next page then. This is an excerpt from our Integrated Financial Forecast. It does show the net income of the 53 million we previously spoke of, the 60 million in '13/'14, 50 million in -- in '14/'15, and taking it right out to 2021/'22, 52 million in that year.

However, deducting the non-controlling interest that I previously referenced, we would have to reduce '12/'13 by 14 million, '13 -- the fiscal year 2013/'14 by 24 million, and the fiscal year '14/'15 by $21 million. Adding that up for the entire ten (10) year period that's covered on this page, up to 2021/'22, the non-controlling interest totals $108 million.

Page 11 does indicate what our financial