MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA HYDRO

GENERAL RATE APPLICATION

2014/15 AND 2015/16

Before Board Panel:

Regis Gosselin	-	Board Chairperson
Marilyn Kapitany	-	Board Member
Richard Bel	-	Board Member
Hugh Grant	-	Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

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APPEARANCES

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Brent Czarnecki		)
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--- Upon commencing at 1:01 p.m.

THE CHAIRPERSON: Good afternoon. I believe that we're ready to resume the proceedings. So without further ado, I welcome the representatives of Manitoba Hydro.

And I guess the first question I have to ask -- it has nothing to do with the rate hearing -- is I'm wondering whether Mr. Czarnecki and Mr. Cormie are running the marathon on Sunday. Not running it? No.

MR. DAVID CORMIE: I'll be watching it.

THE CHAIRPERSON: Okay. Okay.

MR. BRENT CZARNECKI: I must say, with the regulatory fatigue, it just wasn't an option.

THE CHAIRPERSON: So I don't think we have any administrative matters to attend to, Mr. Peters? No?

MR. BOB PETERS: I'm not aware of any new ones that have arisen, and we have received electronically Manitoba Hydro's final argument PowerPoint.

And I did not see a written argument, but remembering what Mr. Czarnecki told us of yesterday, that we'll probably hear from them today in terms of their expectation as to providing that relatively early next week. Thank you.

THE CHAIRPERSON: Thank you, Mr. Peters.

With that, I'll turn the microphone over to Ms. Fernandes.

CLOSING SUBMISSIONS BY MANITOBA HYDRO:

MS. ODETTE FERNANDES: Yes. Thank you. Good afternoon, Chair -- Mr. Chairman, Board members Kapitany, Bel, and Grant. It is apparent as we have proceeded through this hearing that the panel is -- they have a good handle on the arguments of the parties.

Given the unfortunate circumstances we find ourselves in, Manitoba Hydro is not able to provide complete oral comments to everything that we have heard over the last couple of days.

So for purposes of our oral argument, we have provided a slide presentation which highlights what Manitoba Hydro feels is the important information the Board requires in order to make its decision on rate requests.

Manitoba Hydro will provide a comprehensive written argument, as indicated by Mr. Peters, for your review which we hope the Board will take the time to read and process. And we anticipate that that will be provided either Tuesday or Wednesday of next week.

With respect to procedural comments and suggestions made by Intervenors, Manitoba Hydro may provide some preliminary thoughts in its written argument. However, we submit that parties need to take a step back and we need to see what we have done well and what we can improve upon. And Manitoba Hydro looks forward to participating in consultations with respect to improving the overall process.

With respect to comments regarding procedures such as minimum filing requirements and modelling, the Board has already determined that that issue will be dealt with in a separate proceeding. And Manitoba Hydro believes this is the correct course of action as the issue of modelling, for example, is not as simple as providing it in confidence to the parties.

There are a number of complex issues with -- which the Board needs to hear and understand prior to making any recommendations.

We note that -- and the reason why we're bringing this up now is we note for one (1) thing, in Order 33/'15, the PUB included a comment that it understood that at the Lake Winnipeg Regulation hearings, Intervenors were provided with access to a Hydro model.

And I can tell you that's not the case. The only model which was provided was, firstly, a model that was created specifically for a very limited purpose of testing one (1) assumption in one (1) of the tabs.

And the only individual that was provided with access to that model was the independent expert consultant hired by the CEC, and that was provided under the terms of a non-disclosure agreement.

Mr. Williams also indicated yesterday that MPI had shared one (1) of its models. And we want to be very careful with any impression that may have been left on the -- with this Board.

Manitoba Hydro checked with MPI as to what occurred, and we can advise that what was done was that MPI had an open session explaining one (1) of its models, and they performed a live run to parties who were interested in attending. The Board needs to hear the evidence from the parties because MPI indicated that although CAC asked for the model, it was not provided. So again, we think there needs to be an actual process in place, and the Board needs to hear submissions from all the parties -- parties prior to making any determination on this issue.

One point that I feel compelled to make is that I take great offence to any insinuation that the testimony of Manitoba Hydro witnesses was rehearsed, or that Manitoba Hydro needs external third parties to come in and review every aspect of our business. These are real people who perform their jobs with a great deal of professionalism and integrity.

The employees that appeared before you worked tirelessly day in and day out. They are dedicated, and they truly care about not only providing safe and reliable service, but also ensuring that they balance the impacts to customers. They believe strongly in their -- in the jobs they perform, and they believe strongly in the path put forward by Manitoba Hydro.

There were comments made during Intervenor arguments that Manitoba Hydro has a pitch without a plan. To the contrary, Manitoba Hydro submits that the only party that has put forward a credible plan in terms of dealing with the upcoming decade, and the future of Manitoba Hydro and the impacts on customers, is Manitoba Hydro. The pitches without plans, we submit, are coming from Intervenors.

Parties to this proceeding have

attempted to portray that the major investments are only coming in the future. We would like to remind the PUB that Wuskwatim came into service at a cost of $1.6 billion. The Riel Station and Pointe du Bois spillway rebuild came into service at a cost between 800 and $900 million. Currently, we are investing about 500 to $600 million on sustaining capital.

The fact of the matter is that even before the in-service of Keeyask and Bipole, which is actually occurring within the next four (4) to five (5) years, we are currently investing on behalf of customers. Bipole III will provide reliable service for the current generation of ratepayers, as well as future generations.

These are significant investments, and not something we can kick down the road easily. We are not asking customers to prepay for something that will not benefit them. This isn't something that we can defer for a few more years to future GRAs. If we want to maintain rate stability for customers, we need to pay attention to them now. As Mr. Rainkie indicated at transcript page 284, the future is now.

The evidence at this hearing clearly shows that Manitoba Hydro is the only party that put forth a credible plan to deal with the investments that

Manitoba Hydro is making on behalf of its customers. The Manitoba Hydro plan is to gradually rate -- raise rates to cover the costs of investments that are made on behalf of customers in order to ensure the continued safe and reliable service, and promote rate stability and predictability for customers.

Other parties have based their positions on hope or denial. Hope is not a plan. Denial is not a plan. Punishing Manitoba Hydro for perceptions of past transgressions is not a plan. In fact, it is quite surprising that Intervenors put forth these pitches without plans seeming to punish Manitoba Hydro when it is clear that any punishment actually impacts customers in the form of impacts to safe and reliable service, as well as potential future higher rate increases.

Hoping that the future will be better, or that something will occur which will drastically change Manitoba Hydro's projections and rate requests isn't a plan. The future reality will not change before the next GRA. In fact, postponing the rate increases will only put more pressure on Manitoba Hydro, and on customers, as Manitoba Hydro will be required to ask for higher than 3.95 percent rate increases.

Deferring a hundred million dollars of cost per year using rate-regulated accounting so that future customers can shoulder the bill isn't a plan. Advocating that Manitoba Hydro hasn't filed every report, working paper, document, or piece of paper within the Corporation hoping to find something that will change the projections, again that isn't a plan and it won't change the future.

It fails to recognize the reality that is staring us in the face today, and we need to deal with the realities that are before us. This isn't the time to be diving for dollars, as his -- the term has been commonly referred to in this hearing.

Manitoba Hydro has shown you what it is doing in terms of controlling its costs to maintain the projected 3.95 percent rate increases. We are asking customers to invest in the utility that has served them well over many decades. In return, customers are receiving safe service, reliable service, protection against higher rate increases when projects come into service.

We were very disappointed, surprised, and sometimes perplexed by some Intervenor positions. We would expect that Intervenors, at this point in time, would want the same type of balance, a health of a utility that provides an essential service, along with rates -- rate stability for customers.

We submit that what Intervenors are proposing is that we roll the dice. They are proposing that we look at the facts then prevailing three (3) years from now. Let's see what comes and then react. If we decide to look at the facts three (3) year for -- three (3) years from now, and if we are in a drought and interest rates have gone up, and if Manitoba Hydro's before this Board asking for 6 or 8 percent rate increases, will the Intervenors be back here, saying, We've looked at the facts and we support Manitoba Hydro's rate increases?

I suggest to you that they won't be. They'll be here, saying, That's rate shock. Customers can't afford that. And they will be doing what was mentioned during the course of this hearing. They will be diving for dollars. Waiting to determine a course of action will only result in Manitoba Hydro and its customers being overtaken. We need to follow a credible and reasonable plan so that Manitoba Hydro's position can be maintained.

The plan of Manitoba Hydro is to have stable, predictable rates, and we suggest that that is in the best interests of customers. It will help smooth the impact of the variability that is common in a hydro -- hydrological system. The slide in front of you on the top left, you see is the capital expenditure forecast. And in the current fiscal year, we have capital expenditures planned of approximately -- approximately $2 1/2 billion, and for the 2016/'17 fiscal year, $3 billion.

As it relates to net income, we would have losses as early as 2016/'17 of about $58 million without the proposed rate increases, and we'll show that chart to you later on in the presentation. The slide on the top right shows you that even with the three point nine-five (3.95) rate increases, we are projecting losses of approximately $900 million between 2019 and 2024.

With respect to net debt, which is on the bottom of that slide, we are projecting that it will increase from 12 billion to 16 billion in 2016/'17, and to 23 billion by 2023/'24. And again, that is even with the 3.95 percent rate increases.

Dr. Grant, as per your question to Mr. Williams yesterday, I can advise you that Manitoba Hydro is already shouldering a significant amount of debt at current favourable rates. Mr. Hacault yesterday indicated that Manitoba Hydro could finance more. Manitoba Hydro is taking advantage of record low financing, but to finance more than 90 percent of Manitoba Hydro's assets is not a prudent course of action. And because Mr. Hacault made this mention, we would ask, Would MIPUG members finance at this level? If there are one (1) or two (2) slides that you take with you, this would be one (1) of the slides that we ask you to focus heavily on.

Now, we would like to just go through and remind you a bit of the evidence that Manitoba Hydro has placed before you during the course of this process. And we think the best place to start is right at the beginning, with Manitoba Hydro's application. As part of its application, Manitoba Hydro requested final approval of the two point seven-five (2.75) interim rate increase effective May 1st of 2014. We requested approval of a 3.95 percent rate increase for 2015/'16, and we show the bill impacts on -- in that slide as well.

There was final approval of LED rates. There was some changes to the SEP and CRP programs, and we are requesting confirmation that the Board accepts the rate approval process given the proposed modifications. There was a request for final approval of interim orders on SEP and CRP, and approval to rescind the DSM deferral account. Now, this slide doesn't include the time-of-use rates because the Board has determined that that will be held over until the cost-of-service study. And we will address your questions regarding the 2016/'17 rate request near the end of the argument.

Now, we think it's important to bring everyone back to Manitoba Hydro's mitch -- mission, which is set forth in its legislative mandate. And the mission statement states that we are to provide for the continuance of the supply of energy to meet the needs of the province and to promote economy and efficiency in the development, generation, transmission, distribution, supply, and end use of power. This is why we exist. The corporate strategic plan is clear that Manitoba Hydro is committed to providing high system reliability.

And in terms of how we are doing, you've heard in evidence that Manitoba Hydro receives customer satisfaction ratings that are consistently higher than the national average for Canadian electric utilities.

The next slide is a reminder that we offer affordable and competitive rates to customers. We do have amongst the lowest average retail electricity rates in North America, and we have a distinct advantage over most Canadian jurisdictions with respect to the average monthly bills of residential customers.

Now, yesterday, Mr. Hacault had a question about the comparison for industrial customers. So, Diana, if you could please bring up page 18 of Tab 6, and it's Figure 6.6. And there on the right-hand side, you see the comparison for large industrial customers. And you'll see that the industrial rates in Winnipeg are the lowest of all major Canadian cities.

There's been a lot of discussion regarding legislation in Intervenor closing submissions. And although all the parties are aware of the legislation, we -- we thought we would bring you back to some of the legislative framework here in Manitoba.

The first thing we want to bring you to is the Manitoba Hydro Act. This is Section 2 of the Act, and although you were brought to this section with respect to pointing out the promotion and economy and efficiency, we want you to look at the first purpose and object listed in this Act. That is:

"To provide for the continuance of a supply of power adequate for the needs of the province."

This is our primary objective. It doesn't matter if the power is cheap if we can't provide it.

We then would like you to move on to section 39(1) of the Manitoba Hydro Act. Section 39(1) is the price payable for power, and it says that:

"It shall be such as to return to the Corporation in full the costs of the Corporation."

And then they have some inclusions in here. The first one you see there under subsection (a) is the nec -- necessary operating expenses. And then if you move down all the way to subsection (c), you see that:

"The sum that, in the opinion of the board, should be provided in each year for the reserves."

Now, the mention of the Board in this part refers to the Manitoba Hydroelectric board.

And so if we move on to Section 40(2) where we deal with the establishment of the reserves, the legislation sets out what the Manitoba Hydroelectric board determines how best to use those reserves.

And if you read through the -- the

legislation here, it says it's to provide -- and we'll take you right down to subsection (c). It's for the stabilization by the board of rates or prices for power.

And again for the use of the reserves, if you move down to that aspect of it, the reserves were created -- may be used:

"Towards the renewal, reconstruction of plant."

And if you move to subsection (d):

"In such manner towards the stabilization of rates or prices for power."

And we bring you to this because the Manitoba Hydroelectric board has a balancing act. You can see how they use those reserves, and they need to balance the capital expenditures and the sustaining capital expenditures that we have to make, along with rate stabilization for customers. And so we submit to you that that's what we are trying to do with the application before the Board.

Now, with respect to the reserves, we just want to note that some of the proposals by Intervenors, if followed, could deplete our reserves by 2020 -- 2020 to 2021. So at that point, there wouldn't be any reserves in order to meet any circumstances that may arise such as a drought.

Now, we also thought it would be important to remind all parties about the entire section of Part IV of the Crown Corporations Review and Accountability Act. You've been taken specifically many times to section 26(4), but what we decided to do is we thought we'd put the section in front of you and walk you through it.

And the first -- 26(1) says that:

> "...no change in rates for services...and no new rates for services shall be introduced without the approval of the Public Utilities Board."

If you move down to subsection (2), it defines what rate for service means:

> "Rate for service is the price charged with respect to the provision of power."

Now, subpart (4) which you have been brought to before provides the factors that the Board can consider in determining the price charged with respect to the provisions of power.

Manitoba Hydro's position has always

been that you need to look at the relevant sections on an overall basis, and the Board has a broad discretion in terms of factors that can be approved in -- can be reviewed in approving rates, but this discretion is to be used to fulfill a narrow mandate. And the mandate is the setting of the price charged with respect to the provision of power.

(BRIEF PAUSE)

MS. ODETTE FERNANDES: Now, having set up the overall framework, we will move to reminding the Board of the major capital investment drivers and borrowing requirements.

As noted in testimony, Manitoba Hydro is entering a period of extensive investment in its infrastructure, and that investment is in order to firstly meet the growing energy needs of Manitoba. Secondly, replacing aging utility assets that are approaching the end of their service lives, and also to address capacity constraints on its existing system.

The next slide we have shows the forecast load growth before and after the impact of DSM. You will see that investment is required to meet growing energy needs of Manitoba, as even with load reductions from higher levels of DSM demand for electricity is continuing to grow due to increases in population, higher average energy usage, and industrial and commercial expansion.

Now, we will go into a quick overyou -- overview of the major capital investments, and we want to remind the Board that even with those major capital investments we aren't here asking for 6, 8, or 10 percent. We are maintaining our position that we can manage at 3.95 percent.

We've provided you with an update to the Keeyask project, and you've heard testimony from Mr. Bowen, and he confirmed that the major procurement is complete and just over 90 percent of the con -- contracts have already been awarded. Mr. Bowen indicated that we are in the first of seven (7) years in the project, and although there are still many risks we are generally on track.

With respect to the Bipole III project, we have provided you with the update to the Bipole III project. And we know this has been an important issue for the Board during this proceeding. We have filed a great deal of evidence with respect to the project, the reason for the cost increases, and the timing of information.

We have provided the outline for timing from when bids were received, what had to occur before the new budget was prepared and approved by the Manitoba Hydroelectric board, and that was filed in response to Manitoba Hydro Exhibit number 86. We also provided a presentation regarding the need for the Bipole III project, and Manitoba Hydro intends to address this more fully in its written argument.

With respect to the great northern transmission line, this is another one of the investment requirements, and we have provided you with the capital and ongoing costs which have been fully incorporated into the IFF. And Mr. Cormie made a presentation to the panel, and he answered many of your questions.

And I'm not going to pretend to be able to speak to it as it's very complicated, but I am grateful that we have Mr. Cormie at the helm on this one, so if you have any questions regarding clarifications as to his testimony, he's right here and he's able to answer them for you.

This next slide in front of you shows the sustaining capital expenditures which have been expend -- expended, and which are required over the next decade. Now, this graph has been pulled from one of the other graphs because there was a comment made during the hearing that in some of the other graphs you couldn't quite see the expenditures or the scale of what was happening. So we've put this here, so hopefully you can get a sense of what is happening.

Now, the sustaining capital expenditures are required to maintain reliability, and to address anticipated load and customer growth. And Manitoba Hydro will need to increase its sustaining capital expenditures over previous levels in order to maintain safe and reliable service.

As you can see from this slide, we have been increasing our sustaining capital gradually over the last ten (10) years, and we will continue to increase our sustaining capital expenditures. And I submit to you that this graph shows you that we are pacing.

The magnitude of this investment is approaching a total of $5.7 billion by 2024, and it is broad-based with significant capital investment requirements in the operational areas of generation, transmission, and distribution. Mr. Hacault indicated that Manitoba Hydro hasn't provided that it proved that it requires the expenditures for sustaining capital today. I would like to take you to the actual evidence that was presented by Manitoba Hydro.

This slide was shown as part of our operations and planning panel. These were real examples of the condition of some of our assets here in Manitoba. By looking at these pictures it is clear that there is a need now. If we don't invest today these situations will become worse.

The next slide is the overloaded stations in Winnipeg. And this is the capacity problem that's occurring today. It's not occurring five (5) years from now. It's occurring today. The capacity problems decrease over a ten (10) year period, but this is assuming investments based on a 3.95 percent rate increase being requested over the forecast period.

And you heard three (3) days of testimony from Mr. Read, Mr. Monin, and Dr. Swatek in candid details of why they needed the money. They never said they didn't need the money. I think in fact at one (1) point they said they wished they had more money. But they testified before you with respect to the real need that there is with respect to replacing these aging assets.

The next slide shows you the sustaining capital investment. There was a lot of discussion with respect to prioritization at the hearing. I would like to take you back and remind you of what Ms. Bauerlein explained during the hearing at transcript page 853. She indicated that there are three (3) levels of prioritization. There is the first level which is an overall perspective which determines how much can we spend on sustaining capital.

This direction comes from the Manitoba Hydro executive. This is because the executive needs to balance the risks that we know, the risks we assume can happen, with the financial strength of the Corporation and the rate stability of customers. And again, this goes back to the balancing act that we have in our legislative mandate.

At transcript page 854 Mrs. Bauerlein continued on and said that the next level of prioritization is the allocation of that investment to the generation, transmission, distribution, and corporate assets. And that's what's being shown in the current slide.

Now, the third level of prioritization is having a vice president responsible for each of these categories. It's not one (1) person in charge of all of them. The assets are very different so we have one (1) vice president responsible for each of these assets. And Ms. Bauerlein testified that it was managed through a risk-based approach.

There is a common set of criteria that applies to all of them such as financial impacts, employee impacts, public safety, and environmental. But because the assets are so unique and so different they each have their own set of criteria as well. Generation, for example, measures the risk of lost generation. Transmission evaluates the risk associated with non-compliance of regulatory requirements under NERC.

And as Ms. Bauerlein indicated this is a continuous process. The allocations are not set in stone. And we submit that that approach is reasonable because we don't want safety and reliability of our system to suffer because we have allocated dollars and refuse to deal with any real and potential issues that arise every single day. These are not placeholders. This is where the money is spent. These are the funds that are allocated each and every year to ensure the safe and reliable service.

Ms. Bauerlein advised you that in the last fiscal year we spent about 560 million out of our $570 million budget. That's 98 percent of our budget that we've spent. Unlike the su -- suggestion of different Intervenors that this is about being right, this is not about being right. This is not about being perfect. This is about being reasonable. It is a reasonable process and we are being reasonable and we are balancing the assets that we have and trying to maintain a safe and reliable service for our customers.

This next slide shows you the electricity ca -- capital expenditures. Now, the big blue bars are the major projects coming into service over the next four (4) to five (5) years. The yellow bars are the sustaining capital, and this is what's required to maintain the safety and reliability of our system. The level of total investment will be significantly higher in the next ten (10) year period than in the prior ten (10) years. It peaks at 3.1 billion in 2017/'18.

Investment costs will be many multiples higher than the historic costs of the existing asset base. There were constant questions by Intervenors of whether or not we need to spend. And I'll bring you to one (1) example. And Mr. Czarnecki will have some further examples later on. But at transcript page 261 to 262, you heard evidence that we have in -- infrastructure that was installed after World War II. We have generating stations that were put in service much earlier than that.

All purveyors of common infrastructure are grappling with the issue of balancing the level of investment, the right pace of investment, and trying to obtain the necessary funds to make that work. Given the critical nature of electricity service to Manitobans, we certainly want to make sure that the pace is appropriate. We don't want the requirements to overwhelm us. We don't want to get behind the eightball such that we do not have the ability to respond. We can't afford to do that with an essential service such as electricity.

When you add all of these expenditures together, including DSM, you can see that investment is required. It's incorrect to suggest that current ratepayers are being asked to pay for future projects and current rates. These projects are being built today.

And I've noted earlier that Wuskwatim is in service, Riel, Pointe du Bois. Bipole III and Keeyask will be coming into service in the next four (4) to five (5) years. Today's generation, tomorrow's generation are going to get the benefit of these expenditures.

The next slide shows you the electricity capital expenditures and cashflow from operations with a proposed and indicative 3.95 percent rate increases. Now, the heavy black line shows the cashflow from operations. And that black line includes the projected rate increases. And it shows you that throughout the period, it won't be sufficient in all the years to fully fund sustaining capital requirements. Anything above that black line is what we are borrowing.

Manitoba Hydro doesn't have access to shared capital like private utilities. We need to fund investments and assets through a combination of internally generated funds and debt financing. In about 2019, for a period of four (4) years, and you'll see that in the graph in front of you, our cashflow isn't going to be enough to fund even sustaining capital requirements, and it will have to be funded through debt financing.

The suggestion by Intervenors that we shouldn't consider cashflow for -- for regulatory purposes is actually quite puzzling. There was a comment made by Mr. Hacault. And we wonder, just like any prudent business, wouldn't MIPUG members consider cashflow in terms of their expenditures, as well?

Now, this next slide shows the projected electric operation borrowing requirements. We've included the debt refinancing requirements for existing debt in the light blue, and the new financing in the dark blue. The total debt requirements will peak at a level of about 3 billion -- yeah, $3 billion per year, and these are unprecedented levels in Manitoba Hydro's history.

This is a reminder that we do have debt refinancing to do in addition to the new debt we are taking on. The mortgage is already quite large. Manitoba Hydro has been taking advantage of historical low interest rates. And I, for one, am very happy that Mr. Schulz is in charge of this.

Mr. Schulz commented one (1) morning, and this stuck with me. Before he provided his testimony, he came in here and he said, Well, I had some debt issues this morning, so he was very busy doing his job before he even came to testify before this panel.

Electric utilities such as Manitoba Hydro are capital-intensive bus -- businesses. We manage assets on behalf of customers. So it's critical that we maintain access to low-cost financing during the period of extensive capital investments as customers pay for financing through their rates.

Now, we now want to remind the Board of the reasons for the proposed rate increases. Now, this slide shows you the electric expenses compared to revenue. As indicated in evidence, the required capital investment is projected to double the asset base and carrying costs of electric operations in the next ten (10) years.

Over that ten (10) year period, the total electric costs are projected to double from 1.5 to $3 billion. This is primarily due to increased finance and depreciation costs.

Finance expense is going to increase from 500 million to 1.3 billion over the next ten (10) years. That is more than two point seven (2.7) times, and that assumes the 3.95 percent rate increases.

The proposed indicative rate increases accumulate to 42 percent by 2024, resulting in projected losses of $900 million on electric operations between 2019 and 2024.

These next -- this chart shows you the projected net income and projected retained earnings, both with the 3.95 percent increase and with no rate increases.

As indicated previously, the proposed and indicative rate increases accumulate to 42 percent by 2024, but revenue requirement doubles or increases by 100 percent over the same period, which results in a

$900 million loss.

Financial reserves or retained earnings, which is on the right, are projected to decrease from $2.7 billion to $2 billion by 2024. And that's, again, with the proposed and indicative 3.95 percent rate increases. Without the proposed and indicative rate increases, reserves would be totally depleted by 2023.

This is why Manitoba Hydro is requesting the minimum three point nine-five (3.95) increases. Our evidence has been consistent. We are balancing between the investment required to maintain our assets and our mandate to provide safe and reliable service, and our mandate to provide rate stability for customers.

We are not asking for 100 percent rate increases over the next ten (10) years in accordance with how costs are increasing. We have tried to balance these two (2) interests and come up with something that we believe is fair and reasonable to customers.

One (1) of the questions that has arisen through this hearing is, When we talk about financial strength of the Utility, what does that mean for customers and the PUB in carrying out its mandate?

And Mr. Rainkie discussed this with you

in his testimony. He said the financial strength of the Utility is not at odds with taking care of customers. The Manitoba Hydroelectric Board has a mandate to set aside reserves. The financial reserves are used to maintain rate stability for customers and maintain access to low-cost financing on behalf of customers.

Rate stability and predictability for customers depend on the continued financial health and strength of Manitoba Hydro. Without the necessary rate increases, there is significant risk to customers of volatile rate changes and the need for sudden or large increases in the future.

This risk is particularly acute in the upcoming period of extensive capital investment. You've been asked by some Intervenors to look at the short term, to review proposals for rate increases in light of facts then prevailing.

And I discussed that in my opening comments. If we wait three (3) years and we're in the middle of a drought and interest rates have gone back up, and Manitoba Hydro is here seeking a 6 or 8 percent rate increase, what are the positions of the Intervenors going to be?

And I highly doubt they are going to be

supportive of Manitoba Hydro's requests at that time. This is why, again, Manitoba Hydro is asking you to take the steady approach that we are taking.

Now, the next two (2) slides show the projected equity ratio and the projected interest coverage and capital coverage ratios. Those are the targets by which we measure financial strength of Manitoba Hydro, and these targets are still valid. As you can see, the equity ratio is projected to deteriorate to 10 percent by 2023 with the requested 3.95 percent rate increases.

The interest coverage and capital coverage ratios are projected to be well below the target levels of one point two (1.2) for most of the years of the forecast. Again, this is with the three point nine-five (3.95) proposed and indicative rate increases.

We've acknowledged through our evidence that Manitoba Hydro recognizes the financial targets will not be maintained during years of major investments in the generation and transmission system.

This is the balance. We still have to maintain minimal financial results and ratios and provide necessary assurances to those who borrow us the money that we can make steady progress towards the targets once investment -- once the investment period is complete. When looking at these projects, we don't see spectacular results as been -- as has been commented on by Mr. Bowman.

KPMG is reviewing our targets, and we've -- we've mentioned that at this hearing. The report will be filed at the next general rate application, but that doesn't mean targets don't exist or that it's not a useful measure of Manitoba Hydro's financial strength.

Now, at transcript page 413, Mr. Rainkie, I believe, gave you a bit of a spoiler alert, and he indicated that KPMG's indication is that our current targets are reasonable, but the lower end of the spectrum that they would see for comparable utilities.

Their perspectives are that while those targets are reasonable, we should look at strengthening those targets. We should -- so I think you can infer from both of those recommendations that relaxing them isn't something they would recommend, and that's what Mr. Rainkie indicated to this Board.

At transcript page 327, we also commented that you can see Crown utilities in Canada actually bolstering their equity ratios, not relaxing their targets at this point. So Manitoba Hydro submits that the financial targets we have are still very relevant, and are important in determining the financial strength of Manitoba Hydro.

Now, the next slide shows you the next extraprovincial revenue. And historically, net extraprovincial revenues have enabled Manitoba Hydro to maintain low electricity rates for Manitobans. The revenues have averaged approximately 365 million a year between 2005 and 2009. More recently, prices are lower and those net extraprovincial revenues have not been strong, and they're projected to be between 147 million to 181 million in the next three (3) years.

Rate need to gradually increase to compensate for this reduction. Now, there were comments made regarding the forecasting of net extraprovincial revenues, as well as interest rates, and a lot of looking back to previous years by some of the Intervenors. So for a moment, let's look back at a few of the events which occurred which impacted the net extraprovincial revenues and Manitoba Hydro's forecasting.

Firstly, if we look at the economic recession of 2008, that is not self-inflected. New technology such as fracking which affected the prices of natural gas, again, that was not self-inflected. The low interest rates which have been persistent as a result of the new Bank of Canada view on interest rates, again, that is not self-inflected.

So what we are submitting again is that rates need to gradually increase to compensate for the reduction that we have experienced in the net extraprovincial revenues.

Now, this chart in front of you shows you a comparison of the retained earnings and financial ratios, both without the proposed rate increases at the top of the slide, and then it includes the proposed rate increases about the middle of the slide. Approval of the appro -- proposed rate increases are necessary to maintain net income and financial ratios for 2015/'16, and 2016/'17, at acceptable levels, and to promote rate stability for customers.

You can see that without the proposed rate increases at the top there, Manitoba Hydro is projecting net income of $58 million in 2016, and a loss of $58 million in 2017. The equity ratio would be at 15 percent. The interest and capital coverage ratios would decline to point nine-three (.93) and point seven-four (.74), and that's in the fis -- that's in year 2017.

It should be noted that the forecast net income was based on rate increases of April 1st, 2015. Now, as Mr. Barnlund discussed with you, assuming a rate increase of three point nine-five (3.95) on July 1st or August 1st would result in net income -- net income being about 13 to $17 million lower than forecast.

Now, as we turn to the next section, we believe that this is a useful reminder of what some of the risks are in terms of deci -- decisions made with respect to rate increases. This slide is the projected rate increase scenarios.

And what we've included in here is Manitoba Hydro's plan of 3.95 percent, which are the blue bars. And we've included yellow and red bars. The yellow bars are 2.95 percent rate increases, and the red bars are 2 percent rate increases. And that is about -- that's what the Intervenors are -- are requesting in this proceeding.

Now, you can see from this chart that the lower rate increase scenarios of 2 percent and 2.95 percent over the next four (4) years require compensating increases of 6 and 8 percent between 2020 to 2024 to achieve the same financial position of a 10 percent equity ratio. If Manitoba Hydro doesn't receive the 6 to 8 percents after four (4) years of two (2) to two point nine-five (2.95), the impact to the equity ratio will be much greater.

We're quite perplexed at -- again at some Intervenor positions. We were quite astounded actually that Coalition indicated that their client was not a fan of rate smoothing. And MIPUG indicated that they were for rate stability, but we are confused as to how their position aligns with that. And just by looking at this chart I think we're still pretty confused.

We would expect that Intervenors would want the same type of balance, the health of a utility that provides an essential service with stable rates for customers. You've been asked to punish the Corporation, but punishing the Corporation means punishing customers. An unhealthy utility means a deterioration in the safe and reliable supply of power and potentially higher rate increases in the future.

It is apparent that the need is here now and the question is how do we best balance the financial health of the utility with stable and predictable rates for customers. Manitoba Hydro's plan of gradually increasing rates by 3.95 percent promotes rate stability and predictability and reduces the risk of rate shock to customers in the future.

Now, this next slide is related to the service -- service and reliability and shows you the trend of SAIDI and SAIFI measures over the last ten (10) years. This is the chart where you were advised by Mr. Rainkie that you want to see the lines lower on the chart and not higher because the higher the lines go the more outages we see for customers.

Manitoba Hydro's reliability performance shows an increased trend of outage frequency and duration and asset age and condition are major contributing factors. Now, having said that I need to remind the Board of the testimony of Mr. Morin where he provided an explanation of the statement. And that's found at transcript page 1,334. He said:

"We use age as a quantifier just to understand where our poles are in their life cycle, but we inspect every pole before it is changed. We physically go to that pole and touch it before anyone changes it."

Now, Manitoba Hydro will do what it can as best it can to maintain safe and reliable service. Rate increases put us in a better position to fund the necessary investments to ensure that we continue to provide the high level of service that our customers currently enjoy. But as explained at transcript page 280 -- 288, as a large portion of assets are extended beyond their life expectancy we see the system failures and customer outages occurring on a more regular basis.

Assets do not last forever. Replacement rates and associated capital investment on the majority of our asset types need to be increased to better align with life expectancy. And we've done a calculation on this chart and it is of note that SAIDI is up about 28 percent and SAIFI is up about 36 percent. And we don't believe that's -- that's insignificant.

This next slide shows you the elec -- electricity capital expenditures and cashflow from operations. And we've shown them again to you both with and without the proposed indicative rate increases. With the propo -- with the proposed rate increases is the black line and without is the red line.

Without the proposed and indicative rate increases Manitoba Hydro would be required to fund an increasing portion of its sustaining capital expenditures through debt financing as opposed to cashflow generated from operations. Although not shown in this slide we note that a 2 percent rate increase over this time frame net debt over that period would increase another $1.8 billion with incremental finance expense of 240 million by 2024.

At the 2 1/2 percent rate increase scenario net debt is increasing almost a billion dollars and finance expenses increasing $180 million by 2024. This is important to note because a 1 percent rate increase is equivalent to $15 million. This is what dipping into financing for sustaining capital gets you.

The proposed and indicative rate increases reduce the need for borrowing and additional financing costs that must be bor -- born by customers through rates.

This next slide is to remind the Board of the potential implications to the Province's credit rating and Manitoba Hydro's borrowing costs. Now, I -- I won't do this as much justice as Mr. Schulz, but the chart on the left demonstrates the Province of Manitoba has a fairly decent credit rating for its size.

And as indicated by Mr. Schulz, the high credit rating benefits Manitoba Hydro and its customers by reducing the cost of borrowing that customer's pay through rates. The chart on the right shows the composition of the Province of Manitoba's debt. Sixtyfive percent of it is the Province of Manitoba's. And 35 percent of that debt is Manitoba Hydro's.

Manitoba Hydro's debt forms a significant portion of total provincial debt. And the Corporation's financial performance is a contributing factor towards the stability of the Province's credit rating. The proposed and indicative rate increases are necessary to continue to demonstrate to credit agencies that the regulatory framework in Manitoba is supportive of Manitoba Hydro's self-supporting financial status and that Manitoba Hydro can recover its actual costs of providing services to customers.

And with this slide we just want to note that we -- that the PUB has recognized the importance of Manitoba Hydro's financial future. And the Board indicated in Order 43/'13 that the Board is concerned that by moving towards a 90:10 debt-equity ratio by the end of the decade there will be an insufficient retained earnings reserve to deal with droughts and other risks, such as infrastructure failure or rising interest rates.

"The Board notes that Manitoba Hydro shares the benefit of the flowthrough credit rating of the Province which affords it preferential interest rates on its debt and access to funds to meet -- to meet its major capital spending program. However, as its debt grows, there is potential for Manitoba Hydro's financial condition to affect the credit rating of the Province. It is important that Manitoba Hydro remains a financially strong and viable organization."

And we note that those are the words of the Board. Mr. Chairman, I am now going to hand the baton off to Mr. Czarnecki. So we don't know if this would be an appropriate time for maybe a break -- a bit of a break.

THE CHAIRPERSON: Yeah, let's take a break, please.

--- Upon recessing at 1:53 p.m.

--- Upon resuming at 2:03 p.m.

THE CHAIRPERSON: Mr. Czarnecki, I believe the panel's ready to hear from you. Thank you.

MR. BRENT CZARNECKI: Thank you, Mr. Chairman. And good morning, Board members and ladies and gentlemen. Sticking with the marathon theme, I guess I've been passed the baton, and I think we're well past the proverbial wall at mile 22 and we're on the home stretch, so I'll try and prioritize these last slides and pace them home. So that will be the plan going forward.

The first slide is Manitoba Hydro is effectively controlling its cost to maintain projected 3.95 percent rate increases. We did hear some criticism about, well, how is Manitoba Hydro managing its expenses and costs, and I -- I will be addressing this.

Manitoba Hydro realizes that it needs to demonstrate to the PUB, and Manitobans, quite frankly, that we are effectively controlling our costs, and we're doing so to maintain the projected 3.95 percent rate increases. We're committed to carefully managing our costs and utilizing resources efficiently and effectively to provide maximum value to our ratepayers.

An extensive review of the staff compliment was undertaking in 2014, as you heard from Mr. Rainkie and Mr. Thomson, and it resulted in plans to reduce approximately three hundred and thirty (330) operational positions over the three (3) years, between 2015 to 2017, which represents 8 percent of current EFTs charged to operating costs.

And I know there's been some discussion that, of course, the OM&A costs are heavily weighted by staffing costs being a staff-intensive company.

Consistent with this plan, EFTs are project -- projected to decrease. However, capital construction EFTs will increase due to the extensive capital program. And on the chart in front of you, that is reflected by the growing blue bars as our capital programs ramp up.

Now, we have already demonstrated progress on operational staffing reductions, and we're proud to say so. We achieved a total reduction of two hundred and thirty-two (232) operational positions as of March 31st, 2015, which is eighty-seven (87) positions ahead of our committed target for 2014/'15 of a hundred and forty-six (146) positions. So we think we're well on our way.

So what does that mean? The quantum of the savings associated with the position reductions, and this is cumulatively, will be 35.8 million by the end of 2016/'17, which is equivalent to over a 2 percent rate increase. That's significant.

(BRIEF PAUSE)

MR. BRENT CZARNECKI: This chart is simply showing you that correct -- after correcting for accounting changes, Manitoba Hydro is performing very well in controlling its costs. The green bar is the 2012 and '13 OM&A escalated for the CPI index. The red bar is our performance. So it does demonstrate that we are performing below the CPL -- CPI index level.

This will allow Manitoba Hydro to limit its OM&A cost increases to 1 percent per year, again, which is below inflationary levels. This is consistent with the PUB's expectations as they were expressed to Manitoba Hydro directly from Order 43/'13.

And, Mr. Chairman, again, we heard suggestions that Manitoba Hydro didn't come to this hearing with information on our plan on the expense side, and I want to suggest to you that these past -- these two (2) charts prove that those positions are unfounded. We are taking the cost side of our -- our operations into the overall balanced equation.

(BRIEF PAUSE)

MR. BRENT CZARNECKI: There's been some discussion, particularly from Mr. Bowman's evidence, with respect to the vacancy rates, so we -- we felt it necessary to put this slide in here to hopefully clear any confusion.

First and foremost, we do believe that the vacancy rate used by Manitoba Hydro in its forecast is the -- is an appropriate vacancy rate. The previous strategy had OM&A growth of 1.9 percent, which excluded accounting changes over the 2009/'10 to the 2013 and '14 years, was achieved in part by holding vacancies, which explains the higher actual vacancy rates in previous years.

Meanwhile, salary costs have increased by 4 percent annually. The go-forward strategy that Mr. Rainkie spoke of, the OM&A targets are achieved primarily as a result of elimination of positions by taking advantage of attrition opportunities, and this is done through the use of technology, changing work processes, and therefore, we expect lower forecasted vacancy factor. And we think the lower vacancy factor is the appropriate one. The actual 2014/'15 vacancy factor was 5.5 percent, which is directionally with where we want to go.

So the last bullet point is very key, I think, to Mr. Bowman and his evidence, that further reductions through artificial changes in the vacancy rate are not plausible, as they would impair Hydro's ability ultimately in providing safe and reliable service.

Now, I want to touch upon Hydro's specific reply to certain areas of concern that have been expressed throughout this proceeding. The first is very important.

Taking the 3.95 percent rate increases that have been requested as minimums should not be kicked further down the road. Three point nine-five (3.95) percent rate increases is not a new concept. I would submit to you that since IFF12, the three point nine-five (3.95) number has been on Manitoba Hydro's radar. It was reviewed in detail at the NFAT. Yet, the Coal -- Coalition is urging the PUB to send a signal to Manitoba Hydro.

MIPUG, in suggesting lower than the 3.95 percent minimum rates, is taking more of a wait-and-see approach and advocating that approach to you. And let's wait and see what happens until the next GRA.

And I found it quite noteworthy, Mr. Chairman, when you questioned both the Coalition and MIPUG and their counsel at the very end of their submission, when they spoke very briefly in a paragraph or two (2) about what I really believe this hearing to be about, reaching the appropriate rates as we move forward with Manitoba Hydro's plan.

And -- and I was waiting for when they were going to actually address that position because, quite frankly, I've been puzzled as we've sat here throughout the hearing.

And I was equally maybe disappointed in their answers when you asked, Well, why would it be less -- no less than 2 percent? Or, Why are you suggesting a range between 2 and 3 percent?

I looked again at the transcript, and I -- I don't see any analysis or, you know, real reasons or calculations that are done to suggest a 2 percent or a 2.5 percent or a range of two (2) to three (3).

So I guess what I would leave you with on this page is that you really only have one (1) plan that has been tried and tested through this process in terms of the appropriate level of rate setting, and that is Manitoba Hydro's three point nine-five (3.95) requested rates.

With respect to the Coalition's argument, we went back and -- from previous GRAs, because -- not to me, because I'm a newbie to the electric side of this -- this -- in proceedings in front of the Public Utilities Board, but others were feeling that it was the same -- a similar tune. And without imagining the sounds of a broken record, that was one (1) phrase that came to mind about this idea of sending a signal.

And we have one (1) quote here from the 2013 GRA, and there's another one that follows that was from the 2012 GRA, where I just want to reiterate Mr. Williams's comments on behalf of CAC at that time, because it was starting to sound very familiar:

> "You almost want to -- if you send a signal, in our client's view, if one grants Manitoba Hydro what it's seeking, you send a signal that could be misinterpreted. And the signal could be misinterpreted -- interpreted, and that, you know, mis-estimate, as you will, you'll get what you say you need. And that's a concern from our client."

And I -- I think you heard a very similar phrase and suggestion as part of Mr. Williams's closing position. I certainly did. And it made me wonder and stop and pause. Is rate making in a cost-of-service environment about sending signals?

I thought it was about striking what is in your legislation as being just and reasonable rates and establishing that balance. Signals may be appropriate in a regulatory scheme of performance-based regulation, but not in a cost-of-service.

The signals that you could send the people at Manitoba Hydro, including the Manitoba Hydro-electric Board, are motivated by the mandate that Ms. Fernandes put forward. So I'm not sure sending -- the suggestion to send negative signals, what that would really accomplish.

And in fact, I -- I think maybe the more appropriate approach for this Board to be taking in the circumstances, and I hope it -- I hope it does so and thinks about it, is to send some encouraging and some positive signals, some motivational reinforcement to the people at Manitoba Hydro, that you too believe in our plan going forward.

I had to admit to you that I struggled about whether or not I was going to put this next piece in, but it -- it just strikes me as being so appropriate for these two (2) quotes.

I'm not a New York Yankees fan at all, but I am a fan of Yogi Berra, and I think some people in the room will remember Yogi Berra, one (1) of the greatest catchers of all time. And appropriately, it's baseball season. As hockey season has concluded, I went with this.

Yogi had two (2) teammates, and he was also -- besides his extraordinary baseball abilities, he was known for his paradoxical quotes and oftentime colourful quotes. And he played with a -- two (2) other very impressive players in the Yankee lineup, being Roger Maris and Mickey Mantle. And after many years of watching them bat back-to-back, and after many times watching them break records of hitting the most back-to-back home runs of probably any other two (2) players in the history of the league, one (1) of his Yogi-isms, and one (1) that I'm -- I'm very fond of is applicable to the Coalition's argument: "It's deja vu all over again."

And it makes me wonder, going forward, if we'll ever be able to break the deja vu all over again submissions that we continue to see from the Coalition that, in our respectful submission, do not address the current reality that Manitoba Hydro is faced with.

Now, with respect to MIPUG, briefly, we heard from MIPUG yesterday the wait and see, wait till the next GRA. We do not have certainty of natural gas prices. There's frac logging going. Ms. Fernandes spoke of some other issues that they cited. We -- we don't have certainty with respect to interest rates. So we should take a wait-and-see-approach. I'm still dumbfounded as to how this justifies and leads you to a rate increase, as they're suggesting, in the order of 2 to 3 percent based on a wait-and-see approach. We know the waves are coming, and we need to get ahead of them.

The rate increases are required, notwithstanding more favourable near-term financial results. In the near-term to 2016/'17, projected net income from electric operations, including the proposed rate increases, is higher in Manitoba Hydro '14 compared to MH13, largely due to the favourable water flow conditions, as well as lower finance and depreciation expense.

So you have the comparison there between the net income between MH14 and MH13. There are lower net earnings projected in the remaining years of MH14, resulting in lower cumulative earnings of approximately 500 million to 2024, and you see the number there in brackets of five-five-nine (559). Lower rate increases in 2015/'16 would further exacerbate the situation and the loss.

Now, Mr. Williams suggested that this Board should not place a great deal of reliance on Hydro's IFF. As noted in response to PUB/MH-I-10(b), the PUB should have full confidence in the IFF, as the IR shows that the offset impacts of sizeable changes in interest rates and export prices produced no material change in the short-term result, and only a one (1) point change in the long-term debt-equity ratio. So we do think that the IFF is a confident projection and forecast going forward, and is capable of absorption.

THE CHAIRPERSON: Could -- could you repeat that sentence, please? Just...

MR. BRENT CZARNECKI: The -- the citations, sir, sorry?

THE CHAIRPERSON: Repeat the -- just repeat the sentence, please.

MR. BRENT CZARNECKI: The -- the PUB should have full confidence in the IFF, as the IR PUB/MH-I-10(b) shows that the offset impacts of sizeable changes in interest rates and export prices produced no material change in the short-term result, and only a one (1) point change in the long-term debt-equity ratio. So we do think it can absorb these types of short-term and near-term financial changes and results.

Rate increases are required, notwithstanding more favourable near-term financial results. And I think this chart was reviewed in quite some detail. And I guess the -- the green line is the average revenue for all flow condition in MH14, and as you can see, the low flow bars are, in order of magnitude, almost twice as large as the high flow revenue that we would absorb. So there's a disproportionate amount of risk to our financial results in the low flow scenarios.

Now, the -- the point here is the challenge is not with forecast accuracy. The challenge is with the high volatility of Manitoba Hydro's water flows, and the results that you see on -- the potential results as you see on this chart bear that out.

Now, Mr. Cormie testified at transcript page 682 that the recent high water periods will end and will go back into a below average period, I would suspect, he said, based on history. And from his point of view, we are getting pretty close to that.

Perhaps we should knock on wood, but we have had ten (10) plus years of very favourable water results. And in Mr. Cormie's position, looking at the historical perspective, unfortunately, we may be due for a low flow period in -- in the near term.

Rate setting with a longer term perspective. Now, as you've heard, Hydro follows a cost of service rate setting approach that does not set rates based strictly on costs. And I remind you of the legislative requirements that Ms. Fernandes took you through earlier. Hydro strives to propose rates that cover the costs of providing service, including financing costs and an annual contribution, or what we know as our net income, to financial reserves, which we know as retained earnings, for the purposes of rate stabilization.

The 3.95 percent minimum rate increases are necessary to address core earning requirements and preserve rate stability for customers. This is not just an exercise of pre-funding future investments; it address our needs for now.

The 3.95 percent rate increases assist Manitoba Hydro in managing the decline in its financial strength during the period of intensive capital investments but do not allow it to pre-fund future investment requirements.

All of which is in strict accordance with the statutory requirements and the legislative mandate of the Manitoba Hydro Electric Board that again Ms. Fernandes -- Ms. Fernandes reviewed earlier in her submission.

Mr. Rainkie commented on this need for gradual rate increases at transcript page 296 and in many other places of the transcript, but I'll quote:

> "There needs to be gradual rate increases to smooth out this volatility. We believe that it is necessary that rate increases be implemented gradually even in years with reasonable water flows and financial results to balance out the inevitable years with low water conditions and, on an overall basis, allowing Manitoba Hydro to maintain the average rate increases of 3.95 percent over the longer term."

And again, I, too, like Ms. Fernandes, was stunned by Mr. Williams's position of the Coalition, that he was not in favour of rate smoothing, especially considering his constituents.

THE CHAIRPERSON: I follow you all along except for that last, "But I do not allow it pre-fund future investment requirements." Could you explain that one to me? I mean, I would think that if you generate higher income because of higher rates, earnings increase, retained earnings increase and they're available when you need to borrow money. That portion of retained earnings you apply against capital assets.

So I'm not sure I understand that last phrase.

(BRIEF PAUSE)

MR. BRENT CZARNECKI: Mr. Chairman, I -- I think the point we're driving home here is that for -- for the near term, the 3.95 minimum rate increases are sufficient to fund the sustaining capital that is required in the near-term and that it isn't going to pre-fund more, like, a slush fund towards the capital investments that we know that are coming down the road.

And I think there was one (1) slide earlier with Mr. Fernandes where we showed the -- the revenue with the 3.95 percent. There was a line that drew across where the sustaining capital was, and -- and so I think that is our point.

(BRIEF PAUSE)

MR. BRENT CZARNECKI: Now, I think Mr. Gange and Mr. Miller may be entitled to an honorary Hydro tower pin for having this quotation read back to this Board so many times. And I won't read it back, but Mr. Rainkie had -- had commented that he did like it. I like it. I think it makes sense. And I again would urge the Board to strongly consider the -- the principles that are contained in this passage, which was from last year's interim rate application.

In summary through, setting rates considering longer term revenue requirements is the prudent approach, and is in the best interests of consumers.

Focussing on the shorter-term financial outlook will only defer the required rate increases to future periods and inevitably result in rate instability for ratepayers, especially considering the upcoming period of extensive capital investment. This approach is not a pitch without a plan.

(BRIEF PAUSE)

MR. BRENT CZARNECKI: Here we look at inflationary rate increases, and depict that they're just not sufficient to maintain rate stability for our customers. And I won't spend a lot of time dwelling on this slide. They're -- they're not new to the Board. But the pictures are fairly telling and they're staggering, from our perspective, when we consider them.

The one thing that I will highlight, that the little arrow on the right-hand chart of the projected retained earnings, is the run that we did with the -- Mr. Bowman's 2.5 percent scenario. And what it depicts by 2024, but for a billion dollars, all of our reserves have been depleted in terms of retained earnings. And that is less than what we require than a five (5) year drought scenario. It's getting very low, and from Hydro's perspective, an unacceptably low mark.

Again, inflationary rate increases are not sufficient to maintain rate stability for customers. We've run some projections in the -- the charts against -- once again speak for themselves. We are getting, even with the minimum 3.95 percent increases, by 2024 as you can see the blue bar, we are at a 10 percent equity ratio.

This is in -- in light of Mr. Rainkie's comments in a time where Crown utilities and other utilities are looking to strengthen their debt-equity ratios, not weaken them. But we do believe that we can manage the trough, as I think it -- it has been called through this proceeding, with the 3.95 rate increases at a minimum.

(BRIEF PAUSE)

MR. BRENT CZARNECKI: On that particular slide, one last thought. Again, the notion that we've heard from the Intervenors to hold the line, to wait and see, it just simply defers a decision. There was some suggestion, I think, to do so until the financial report has been filed, but again we know from Mr. Rainkie directionally where that report is going. The spoiler alert is there. And we -- we submit that that wouldn't be the appropriate way forward. There's no need to wait until that report has been finalized and brought before this Board.

Inflationary rate increases simply are not sufficient to maintain rate stability for customers. Again we're just now highlighting the projected interest coverage ratios, and the projected capital coverage ratio, and I will not belabour the point. I know this has been -- received much attention during the proceeding, but again the pictures are staggering.

Now, shifting gears to the accounting discussion. We want to be clear. The proposed rate increases are not being driven by aggressive accounting policy selection. The cumulative total of all accounting changes is actually reducing revenue requirements. Hydro is making a number of prospective changes for financial reporting purposes in 2014/'15, and 2015/'16, including further changes to the level of capitalized overhead and depreciation methodologies as part of its conversion to IFRS in 2015 and '16.

Depreciation decreases will more than offset OM&A increases such that accounting changes are not driving the increase in revenue requirements and the need for the rate increases.

Given there is no harm to ratepayers, use of IFRS for rate-setting purposes we submit is fair and appropriate.

Now, if there were ever any real tempest in a teapot as part of this application, I would submit to you that it is this particular issue of accounting policy driving rate increases. And that is borne out on the next slide where it is shown, the data from the last slide.

The green line is the one that you should focus upon. The net accounting changes are a decrease and are not contributing to the 900 million in losses between 2019 to 2004 -- 2024, pardon me. Manitoba Hydro has a sound accounting plan which is sensitive to its ratepayers.

So what is driving the $900 million losses in 2019 to 2024? Three (3) things. There's a significant increase in carrying costs associated with Bipole III, sustaining capital expenditures, demand-side management, and the Keeyask generating station.

The second one is lower general consumers revenue due mainly to increased demand-side management savings.

The third, lower projected net extraprovincial revenues due to lower projected export prices, partially offset by increased energy available for export as a result of increased demand-side management. We saw the export revenue chart in Ms. Fernandes's submission.

These are the drivers that are forcing a longer-term rate view. They are not congruent with a wait-and-see approach.

Now, I lost the rock, paper, scissors with Ms. Fernandes, so I get to handle the ELG and the depreciation slides. So bear with me here.

The cost-of-service rate-setting methodology used to set electric rates in Manitoba does not determine rates strictly on the basis of costs.

The cost-of-service rate-setting methodology, together with Manitoba Hydro's approach of regular and reasonable rate increases, has the flexibility to recognize changes in cost levels into rates gradually over time, rendering separate accounting policies for financial reporting and rate setting unnecessary.

The cost-of-service rate-setting methodology eliminates excessive regulatory deferral accounts and multiple asset sub-ledgers.

The real impacts of two (2) sets of asset sub-ledgers, practic -- the practical reality from within Manitoba Hydro -- and you've heard the testimony to this regard -- there's differences between financial reporting and rate setting must be recognized in regulatory deferral accounts -- as an example, differences in depreciation method and/or capitalization of overhead costs.

Two (2) sets of detailed asset sub-ledgers will be required to support the balances in regulatory deferral accounts. It impacts accounting system and business processes significantly.

It's onerous and it's costly, and Ms. Bauerlein and Ms. Hooper on -- testified to this on transcripts 3616 to 3618. And they run counter to Manitoba Hydro's cost-saving initiatives and strategy. Mr. Chairman, Board members, it's simply not achievable either for the 2015/'16 fiscal year.

Again, the real impacts of having two (2) sets of asset sub-ledgers, ninety-three thousand (93,000) asset records and growing, of course times two (2). Thousands of transactions each month times two (2).

Differences will grow over time, difficult to perform reconciliations and audits twenty (20) years down the road. Impacts not only the financial statements; it goes to the monthly and quarterly financial reporting times two (2), financial forecasts, an IFF times two (2), depreciation studies times two (2), annual audit of plant assets times two (2). Again, this is inconsistent in approach with the direction Hydro has for controlling its OM&A costs.

The cost to convert was estimated between 2 to $3 million and is ongoing. And that amount was -- just can't be determinable at this time. That cost figure is found at Appendix 11.49 and PUB/Manitoba Hydro-II-21(c).

These are the practical realities, Mr. Chair, Board members, from the people within Manitoba Hydro that have the accounting expertise and background and knowledge and work with us on a day-to-day basis. I would submit that that is the evidence you should be relying upon, and not the evidence of Ms. Lee or Mr. Bowman, who simply do not have the intimate knowledge of what it means to move to this type of approach.

Now the good news. Hydro has managed the impact of ELG through removal of negative salvage from depreciation rates. And we see the numbers highlighted for 2015, a savings of 25 million; 2016, 53 million; 2017, 57 million. And this is in accordance with the policy decision that Mr. Rainkie spoke of that was made in 2010 to move to ELG to aid in the transition to IFRS.

At that time, the explicit decision was made to remove net salvage from depreciation rates upon transition to IFRS to manage both the financial reporting and rate setting impacts of the move to ELG, and this results in a significant decrease in depreciation expense.

We're asking you to review depreciation changes on an overall basis for rate setting purposes. This is consistent an approach with the regulatory principle of fairness.

Now, Mr. Hacault yesterday used the -- the term, 'If it ain't broke, no need to fix it'. Mr. Rainkie, Mr. Kennedy, our Manitoba Hydroelectric board, our auditing committee, and all of the staff that perform under Mr. Rainkie do not believe it's broke, so we would urge you to resist the temptation of attempting to fix something that isn't broke.

The last suggestion from Mr. Hacault I wish to deal with because it's important is that Hydro has somehow ignored PUB direction on depreciation matters. In my words, the impression I was left with, that we were keeping you in the dark of our accounting movements moving forward. This is untrue.

Hydro's accounting experts and, I believe, including Mr. Rainkie, met and corresponded with the PUB advisors and Board staff identifying potential accounting options on this very issue. The letters that Hydro has filed in this regard are filed as Attachment B of Appendix 11.49.

And I would encourage you to take a look at those because we have been trying to manage the issue and keep this Board and its advisors and staff apprised as the accounting world has been shifting.

So where does this lead us? It's the tests that Mr. Rainkie suggested in your decision to approve the ELG method. They're simple and they're appropriate. Is ELG a reasonable depreciation methodology for rate-setting purposes? Yes, it is. From an overall perspective, is there any harm to customers? No, there is not.

I further submit that there is no evidence on the record of this proceeding that can lead you to any other conclusion on that two (2) step test. There certainly are alternatives, but they do not change Hydro's proposed used of ELG in meeting those two (2) fundamental tests.

I'll just mention for the transcript from page 314 to 317. There was a review of this precise area by Mr. Rainkie in his presentation, and I will not go through it, but I urge you to take a look when considering whether we've made that test to review those three (3) pages of transcript, because the answer is succinctly there.

ELG method is a reasonable method for rate setting. You heard it's a more robust method. It's improved matching of depreciation to consumption of assets. It is used by other utilities in North America, and I suspect by other members of MIPUG. It satisfies the precision requirements of IFRS.

And we're not so sure that the testimony of Ms. Lee met with the oath that she had taken of providing fair and unbiassed testimony, because when she was asked by Mr. Peters in -- in his cross-examination, we found this quote:

"I just have a fundamental concern with the ELG procedure."

And we would suggest to you, sir, that her testimony reflected throughout that fundamental concern that she had about ELG procedure.

There was a question about whether or not Hydro's plant records were appropriate to apply the ELG method. As you heard, 94 percent of Hydro's accounts have complete retirement history. And as discussed by Mr. Kennedy, who is a preeminent depreciation expert with utilities across North America:

"Manitoba Hydro recor -- records are definitely sufficient for applying the ELG method. In fact, I consult with thereabouts 80 percent of the utilities across this country, and I would suggest that the Manitoba Hydro plant accounting records are at the top of the group, or within the very top of the group of regulated utilities that I have had the opportunity to work with."

You also heard from Mr. Kennedy how he had the opportunity to meet specifically with Mr. Read, Dr. Swatek, and Mr. Morin in reviewing the assets that were included in the depreciation report. Obviously, and I don't hold it her -- against her, Ms. Lee was not afforded such an opportunity to gain such valuable insight into this situation.

Perhaps most importantly, Mr. Chairman, Board members, is Order 43 -- 43/'13, where the PUB rejected Intervenor recommendations to adjust accounting policies to lower rate increases. And you heard Mr. Rainkie with his fondness of your use of the word 'approach', which he interpreted purposely as meaning that you were extending this paragraph beyond a specific rec -- recommendation. What you were doing was you were generally capturing your rejection of the approach -- of the approach of adjusting accounting policy to lower rates.

I'd end this slide by saying the last bullet is important, too, that excessive use of rate-regulated accounting is not the solution for rate stability for future customers. It's -- flows into the theme that we've been hearing of just wait and see, defer this down the road. We don't think that approach is appropriate.

(BRIEF PAUSE)

MR. BRENT CZARNECKI: One -- as I leeway into the next slide, I want to read into the record the second-last sentence, where it says:

"It is important that Manitoba Hydro remain a financially strong and viable organization."

Those were your words. This slide demonstrates once again that higher rate increases in the order of 5 1/2 percent to 6 percent for the next four (4) years would be necessary to reduce the losses that are projected in the next ten (10) years to maintain financial reserves at current levels.

The 3.95 per -- percent proposed in indicative rate increases are the minimum that are necessary, and again, they're the minimum to manage the deterioration and projected financial results and ratios for the next ten (10) years.

Relaxing the longer term financial targets, or wait -- wait and see for the report that's pending, will not negate the need for the requested rate increases of 3.95 percent. We need a financially viable corporation.

Now, shifting gears to sustaining capital, and Ms. Fernandes gave you the pie chart of the breakdown of generation and transmission and distribution. This is the next layer of that chart which gives you a more specific breakdown of each of those asset types, being generation, transmission, and distribution.

So the breakdowns are there. I have a very long answer from Ms. Bauerlein when she was explaining this particular chart. I do not intend on reviewing it in detail other than to say it's found at transcript page 846 to 851.

But I will spend some time on that particular segment of the transcript to explain the distribution pie chart because there was some discussion from Mr. Williams and some questions as to, Well, why would this -- why is distribution greater in terms of its share versus generation and transmission? And I do want to remind the Board of why that is.

Ms. Bauerlein said:

"Over the next ten (10) years, you'll see we have a higher level investment with respect to our distribution assets. We've got approximately 2.2 billion over the next ten (10) years with a range of about 200 to 270 million in each year. Thirty (30) percent of that investment is to address capacity issues with approximately 10 percent of that required to increase electrical capacity in the Winnipeg area."

It's ben previously mentioned I think several times that about 38 percent of the distribution stations in urban Winnipeg are loaded beyond their maximum rating, and there are no practical load transfer opportunities.

Some of the stations that have been identified for del -- developments include Madison, St. Vital, Dawson Road, and Adelaide, streets I think most of us would be familiar with.

In addition to major sub -- substation development, investment is required to replace or maintain distribution substations in Winnipeg as a result of increased demand in localized areas.

Thirty (30) percent of the investment is required to replace aging assets. As Mr. Morin had indicated, while asset maintenance programs have prolonged the life of many of our assets, many of them are approaching the end of their serviceable lifespan and will require significant replacement over the next twenty (20) year period.

Some of the more critical investment or

replacement of our assets include underground cables, wood poles, street lights, and manholes.

Twenty-five (25) percent of the allocation is to connect new customers to the electrical grid. Manitoba Hydro of course is mandated to install the necessary plant additions in order to service these customer requests.

Ten (10) percent of the investment will be for rural station and feeder development to address rural capacity issues, once again due to customer load growth in selective areas of the province. Again, some of these high-profile areas similar to the transmission are Steinbach, Winkler, Selkirk, Thompson, and Brandon.

And the types of investment that's required in these areas includes replacing existing wood pole stations with distribution supply centre, including transformer banks, and converting feeder lines to accommodate higher voltage levels.

The balance is small. Five (5) percent is what we call distribution technology modernization, and it looks at things like providing automation on distribution switches and feeders to enhance reliability and improve performance.

In a nutshell, that's what is required for the distribution chart that you see in front of you over the upcoming years. Again, I would submit that's not a pitch without a plan.

Further on this topic, Mr. Rainkie summarized the issue appropriately at transcript page 1,496:

> "Mr. Hacault, I think this panel in the last week has demonstrated that the pacing that we have in the CEF and the IFF is the appropriate one. If we let this wave get ahead of us, it's going to result in higher rate increases in the future and lower reliability. So we spend a lot of time carefully thinking about the level of capital expenditures that we put into CEF14. But it's not just a matter of doing a financial run. It's a matter of, as we said, trying to keep up with the degradation of our assets so that we don't get behind the curve."

So that is what we've looked at in order to provide our recommendation to the Board on the necessary rate increases.

And this issue isn't entirely new. In

PUB Order 43/'13 this Board indicated that part of the rate increase was for the same aging infrastructure that we're now faced with.

Lastly on this point, there's three (3) slides that follow. And as I'm reading them through I do want to remind you, as Ms. Fernandes did, of the evidence in its entirety that was received from Dr. Swatek, Mr. Read, and Mr. Morin.

It's the first time that we had -- Hydro has introduced such a panel to get deeper into the Board's understanding of what those gentlemen are facing in terms of managing their assets, which I think you clearly saw they're deeply concerned about and are passionate about.

So I was a little dumbfounded again when I heard Coalition's argument that the evidence was bare or was minimum or that you had not enough evidence in front of you to make a determination of whether or not our capital plans were sufficient for you to make rate making.

I sat with that panel. And I -- I can't recall if Mr. Williams was in the room at the time, but again, it was like I was in a different hearing than he was.

On pacing and prioritizing, which have

been the buzzwords from some of the Intervenors, as discussed by Mr. Morin at transcript 752 to 755, even with the forecast level of sustaining capital expenditures, system reliability is expected to decrease. Once a system starts to lose that performance it is a major undertaking to correct it.

Manitoba Hydro has maintained its assets very well and significantly extended assets lives. However, the assets have reached the point where they require replacement to main -- maintain reliability. You heard that consistently from those three (3) witnesses.

The asset condition report was developed to help illustrate the impacts of aging infrastructure. I want to be very clear Hydro does not replace assets based on solely on age. Assets are replaced on risk and/or the economics. Age is one (1) indicator of asset health but is not an indicator of when Hydro actually replaces the asset. And you heard Ms. Fernandes quote Mr. Morin that they touch the poles before they're actually replaced.

This -- well, age in conjunction with current assessment data is used for long-term planning. Hydro's prudent asset management strategies have allowed many assets to remain in service well beyond industry norms. I don't want to get too involved in PowerStream, but all I need to say is Mr. Morin demonstrated how -- Hydro's assets in terms of the wood poles. We have extended our -- the lives of those poles well beyond what PowerStream has done without engaging on a who may or may not have a better process in managing its assets.

We heard about PowerStream. And I would raise this slide to remind you that, although Hydro's plan may look different than PowerStream and what Mr. Williams testified to in his argument, we do have a plan. We know that a large portion of assets age beyond their life -- beyond life expectancy. System and failure and customer outages are expected to occur on a more regular basis.

Replacement rates and associated capital funding for the majority of Manitoba Hydro's asset types need to be increased to better align with life expectancy. And this was dealt in more detail at transcript page 753, and I'll take you there. But keep this in line thinking that the red, the amber, and the yellow bars spells danger to those that manage these assets; there is a need.

Mr. Morin, responding to a question from member Kapitany many, many days ago, said this: If I look at what we have in our plan, you won't see it correct and turn considerably the other way. Ideally, it would be to -- it would be to be afforded the same reliability we're managing with today, but it's a substantial undertaking with what our assets are going to transition in. And I think we have a very conservative estimate of what it's going to take to try to manage those assets. I would still predict a possible continued decline on top of where we are today, even with the spend.

And it's a major undertaking for the amount of sheer volume of assets Manitoba Hydro has and maintains, and the available funding to refurbish them. And we've reaped the benefits of maintaining them and extending their life. But from this point going forward, it's a continual wheel of reinvestment that we've never really fully embarked on, because we have a lot of assets still in that first install phase, some of which, as we know, date back to the World War II era.

We submit that it -- Manitoba Hydro has provided a great deal of information to this Board and to all Intervenors in order to support its request for rate increases, and that the Board has the information it needs and more than ever before with respect to this issue on sustaining capital expenditures to make a determination on the rate request before it. It's a reasonable request, Mr. Chairman, Board members.

To conclude, three (3) words: Prioritize, pace, and a plan. Manitoba Hydro has all three (3) of those.

We wanted to put this slide in such not to diminish these issues in any way, but to highlight that these issues, and there's others, that we will be addressing fulsomely in our written final argument. So as Ms. Fernandes encouraged you and all parties, please take the time to read them. They're very important. They form part of this entire proceeding and application. And we hope that we will address them in full detail so that you can gleam (sic) our position on all of these issues. So by no means are we lowering them in priority, but they will be -- we felt they were of -- better use of our time would have been spent addressing these particular ones in the written argument.

Close to the finish line, Mr. Chairman, Board members. I'm not going to go through in detail the rate application request slide that Ms. Fernandes walked you through. Maybe the two (2) first bullets. We are seeking final approval of the 2.75 percent interim rate increase that was granted May 1st, 2014; approval of a 3.95 percent rate increase for 2015 and '16.

(BRIEF PAUSE)

MR. BRENT CZARNECKI: We believe that those rate increases enable us the financial strength that is so foundational and important to this triangle that is in front of you, which Mr. Rainkie had reviewed on day 1 or potentially day 2. We do need a financially strong Manitoba Hydro. And we also need to balance that need with the impacts on customers. We think we have struck the right balance, and without the necessary rate increases, there is a significant risk to customers of volatile rate changes and a need for sudden or larger increases in the near future.

As we've said many times, this risk is particularly acute in the upcoming period of extensive capital investment. There is light at the end of the tunnel if we stick to our plan.

(BRIEF PAUSE)

MR. BRENT CZARNECKI: This balancing

act is indeed delicate. However, Manitoba Hydro believes again that the proposed rate increases carefully balance the need for investment in providing stable, predictable rates for our customers. We submit this is the only balance that is properly in front of you as part of the full hearing of this application.

A glimpse ahead. Manitoba Hydro is seeking further direction from the PUB on rates for 2016 and '17. We hope our view is clear that the investment requirements of the next decade support a long-term approach to setting revenue requirements. We have included our forecast for the 2016/'17 fiscal year in this application, and we have requested a 3.95 percent rate -- rate increase effective April 1st, 2016.

I spoke of the regular -- regulatory fatigue, and we looked ahead to the pending regulatory schedule. It's busy. We have a cost-to-gas application. We have a cost-of-service review. And we are aware that the PUB itself has other matters in front of it, including MPI.

We have provided sufficient information for April 1st, 2016, rate award. In the alternative, and at a minimum, I would suggest, Hydro is seeking direction from you with respect to April 1st, 2016, interim reflates -- rates. Looking back in the rearview mirror, most of us who have been with this file from the drafting stage of December of 2014, we're now seven (7) months post.

Considering that fact, we just can't imagine how we're going to squeeze another one of these fulsome Applications and full Applications by April 1st in order for you to make a rate relief grant by April 1st, 2016. This is not a story of doom and gloom, which I had the feeling of when I left this room after hearing Intervene -- some of the Intervenor arguments.

Hydro's plan is steady and calm. We are in the enviable position with one of the most reliable, sustainable, and affordable power systems in Canada. This is something Manitobas -- Manitobans are rightfully proud of. As indicated by Mr. Rainkie at transcript page 2,039:

> "Manitoba Hydro is now asking Manitobans to collectively invest in their own power system that has provided safe and reliable service for decades."

And we did want to end with the customer in mind, and the value of the -- of what we're proposing for the customer. The revenues from the proposed rate increases are necessary so that Manitoba Hydro can deliver on its mandate by:

1) continuing to deliver a reliable energy supplied to Manitobans by funding the necessary investments to respond to the need for system growth and asset replacement;

2) funding PowerSmart programs to assist customers in meeting their energy needs in a cost-effective manner;

3) continuing to provide rates that are affordable for Manitoba families and that support the competitive -- competitiveness of Manitoba Hydro -- or pardon me, of Manitoba -- Manitoba businesses; and

4) ensuring rate stability and predictability for customers by maintaining its own financial strength.

In closing, we think that does achieve our legislative mandate set forth in the Manitoba Hydro Act. Now, before I open the floor, Mr. Chairman, to any questions that your panel members have of Ms. -- myself or Ms. Fernandes, I do want to express deep thank-yous to the panel, to you, Mr. Chairman, and Board member Kapitany, Mr. Bel, Mr. Grant -- Member Grant.

It's been a long seven (7) month

journey, and we do deeply appreciate your careful listening and attention to all of our panels, our arguments, and for your very thoughtful and insightful questions. I can't stress that last point enough because it really does provide us with insight as to the issues that are most important to you.

I would also like to thank the -- the Board staff, including the fine job that Ms. Villegas has performed for everyone. I do want to thank Mr. Peters and Mr. Hombach, and the Board advisors. I do want to thank Intervenor counsel, and the Intervenors themselves. It's been -- there's been a few hiccups along the way and there's been a few bumps, but I always do appreciate the cooperative nature in which we conduct ourselves here.

Lastly, on behalf of Mr. Thomson and Mr. Rainkie, I do want to publically acknowledge the efforts of the Manitoba Hydro staff that have been working tirelessly behind the scenes and in front of you over the past seven (7) months, I don't want to single out anyone, I'll just single the collective, except for some of the people in the Regulatory Department itself. I think we all benefit from their tireless efforts behind the scenes to file things on time, and to produce documents electronically and otherwise.

And quite frankly, I don't think this process would be possible without their efforts, in particular, Shannon Gregorashuk, the manager, Ashley Jansen, and Natalia Giraldo-Gomes, who, believe me, they're with us -- all of us collectively every step of the way.

With that, I do turn the microphone over to you, Mr. Chairman, for any questions that you may have of us.

THE CHAIRPERSON: Let me start off with just a clarification. Slide 64, please, Diana. And I can't recall what you said around this particular bullet. Slide 64.

(BRIEF PAUSE)

THE CHAIRPERSON: The very last bullet:

"Relaxing the longer-term financial targets will not negate -- negate the need for requested rate increase of 3.95."

Now, that's kind of a -- a contradictory statement. But could you -- could you explain what you meant by that bullet?

MR. BRENT CZARNECKI: Yes, sir. We -- we're not proposing, but if we were to take a look and lower the red line at the 25 percent consolidated target of 25 percent equity to -- notionally, to 20 percent or 15 percent, it still doesn't capture the dip that you see between 2020 and 2019, and 2031 is our point.

So that you can notionally adjust debt-equity ratios to say 85:15 if you were so inclined. But we still need the 3.95 minimum rate increases in order for those blue bars to be at a -- at a level that is sufficient. And I guess we've identified the 10 percent level as being the bottom line on that.

We are dangerously low as it is. And again, our submission is that I -- it's in the face of other utilities, similar utilities, bolstering their debt-equity ratios, not going the other way.

(BRIEF PAUSE)

THE CHAIRPERSON: Well, I -- the panel has no questions. A very clear presentation. I think you hit the -- the key points. So thank you very much for having prepared this presentation on very short notice. I appreciate that.

And just on behalf of the -- of the fellow panel members, we will definitely be reading the submission from Manitoba Hydro once we have it in our hands. It's our intention to give a response -- or decision as quickly as possible. We are constrained, some of us, in time availability in the next few weeks. But in any case, we will make our best effort to deliver a decision quickly so that there's no uncertainty with respect to the outcome of this process.

So on behalf of my fellow panel members, I parti -- I want to -- on behalf of myself, I want to thank the fellow panel -- panel members who devoted their time to this process. They have other jobs and businesses and other interests, and they are part-time members of this Board. So I appreciate the amount of time and effort they've committed to this process.

And I also want to thank Manitoba Hydro for the efforts you've made in submitting the application, responding to IRs, and all the work and hours that you've put into this process, so thank you very much to you who -- counsel and people who appeared as witnesses, people in the back row, people in the -- in the room downstairs, and also the people back at the office. So thank you very much for all the work.

And I also thank the Intervenors, counsels that are here, and -- and the staff and advisors of the Board who -- who also work extensive and long hours to support the work of this panel. So on behalf of everyone here on this panel, thank you very much, all of you, and I wish you all the best for the coming summer. And -- and we'll see -- some of us will see each other again this fall. Thank you.

--- Upon adjourning at 3:10 p.m.

Certified Correct,

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Cheryl Lavigne, Ms.