

June 13, 2019

Honourable Scott Fielding
Minister Responsible for the Public Utilities Board
103 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister Fielding:

Re: 2018/19 Annual Report, The Public Utilities Board

Pursuant to subsection 109(1) of *The Public Utilities Board Act*, and on behalf of all Board members, I am pleased to submit the 2018/19 Annual Report of the Public Utilities Board (“PUB or Board”) for the year ended March 31, 2019. The year under review was the PUB’s 106th year of service to Manitoba.

A total of eleven Board members, ten of whom are part-time, participated in the PUB’s deliberations during the year.

A staff of nine employees and a roster of advisors supported the Board members.

The Board was also assisted by its advisors and approved interveners.

Various individuals also appeared before the Board during its proceedings, either as witnesses, experts or presenters.

As a result of those contributions, the PUB achieved the results outlined in this report.

Thank-you to you and the members of your department for the support of the PUB’s work.

Sincerely,



Robert Gabor, Q.C
Chair

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HIGHLIGHTS

A. Mandate

The PUB is an independent quasi-judicial administrative tribunal. It operates pursuant to The Public Utilities Board Act (the “Act”) and is responsible for the regulation of public utilities and other matters, as defined under the Act. Other enactments assigning regulatory and/or adjudicative responsibilities to the PUB are:

The Consumer Protection Act (Payday Loans and Government Cheque Cashing)

The Crown Corporations Governance and Accountability Act

The Efficiency Manitoba Act

The Emergency 911 Public Safety Answering Point Act (Appeals)

The Gas Allocation Act

The Gas Pipeline Act

The Greater Winnipeg Gas Distribution Act

The Manitoba Water Services Board Act (Appeals)

The Municipal Act

The entities regulated by the Board during the report period from April 1, 2018 to March 31, 2019 (the “Reporting Period”), are Manitoba Hydro, Centra Gas Manitoba Inc. (a wholly owned subsidiary of Manitoba Hydro), Manitoba Public Insurance (MPI), Stittco Utilities Man Ltd., and approximately 240 municipal, cooperative, and private water and wastewater utilities, other than the City of Winnipeg which is exempt from the rate-setting jurisdiction of the PUB. Municipal water and sewer utilities owned and operated by the Manitoba Water Services Board are also excluded from the Board’s jurisdiction, except that customers may appeal decisions of the Manitoba Water Services Board to the Public Utilities Board.

During the Reporting Period the responsibilities to hear appeals under *The Highways Protection Act (Appeals)* were transferred from the PUB to Manitoba Infrastructure.

B. Board Membership

The Government of Manitoba, through the Lieutenant Governor-in-Council, appoints all Board members at pleasure. The Lieutenant Governor-in-Council did not establish appointment terms for any new members in 2018/19, however, one member retired. The ten continuing part-time members are:

Member	Date of Appointment	Term Expires
Marilyn Kapitany (Vice-Chair)	July 23, 2012	July 29, 2021
Hugh Grant	December 18, 2013	December 18, 2021
Larry Ring	June 8, 2016	September 20, 2021
Carol Hainsworth	June 8, 2016	September 20, 2021
Susan Nemec	June 8, 2016	September 20, 2019
Sharon McKay	September 21, 2016	September 20, 2019
Shawn McCutcheon	September 21, 2016	September 20, 2019
Michael Watson	April 5, 2017	March 21, 2020
Robert Vandewater	April 5, 2017	March 21, 2020
Irene Hamilton	September 6, 2017	September 6, 2020
Rheal Teffaine, Q.C.	Retired	

The Chair, Robert Gabor, Q.C. was appointed September 6, 2016 at the pleasure of the Lieutenant Governor-in-Council and his term expires September 6, 2021.

C. Strategic plan

The PUB's 2017-2020 Strategic Plan was developed after consulting various stakeholders, including utilities, interveners of record and organizations that are involved with the PUB regulatory process. The complete Strategic Plan can be reviewed at <http://www.pubmanitoba.ca/v1/index.html>.

At the end or the beginning of each calendar year, PUB establishes its operational priorities for the calendar year then under consideration to achieve its overall strategic priorities.

The four strategic priorities for the 2017-2020 period are:

1. Excellence in the provision of regulatory decisions;
2. Effective communications and relationships with stakeholders;
3. Efficient internal operations; and
4. PUB 2020 and beyond

Highlights of the priorities for 2017-2020 include the following:

C.1 Excellence in the Provision of Regulatory Decisions

The PUB is committed to a continuous enhancement to its decision-making and responsiveness to stakeholders. It addresses this commitment through its continual refinement of the pre-hearing and hearing processes, ongoing comprehensive oversight, implementing processes to improve the efficiency of hearings, increasing the use of risk-based approaches to review and process applications and developing ways to handle commercially sensitive information.

Activities in 2018/19

- **PUB Review.** The PUB is continuing with the process started in December, 2016 to review a number of its procedures. The goal of the PUB Review is to strive to provide regulatory services in an efficient and cost-effective manner. The ongoing PUB Review is focussed on key Board procedures: (1) the pre-hearing processes for applications by Manitoba Hydro, Centra Gas, and Manitoba Public Insurance; (2) the current intervener policy including cost awards; and (3) the current rules for the handling of confidential information.
- **Water/wastewater process.** The Board has started a review of the processes to improve the water and wastewater rate review system. There is a backlog of applications and the time-frame to process applications takes too long, for various reasons. The Board does not believe that it can unilaterally introduce the

necessary changes to improve the system and a more collaborative approach is required. The Board has proposed the establishment of a working group with the Association of Manitoba Municipalities and the Manitoba Municipal Administrators Association to review existing processes and propose changes.

- **Scope of hearings.** Previously the scope of a hearing was only determined by the Board after an application was filed and the applicant and interveners appeared at a Pre-hearing conference. This meant the application had to address all issues that could possibly be heard at a hearing. In order to reduce the applicant's workload, focus the hearing process and reduce the total cost, the Board proposed moving the scoping exercise before the utility filed the application. The Board gave a preliminary order identifying the issues to be heard in the normal course of the hearing, the issues that would require additional attention and the issues which would be postponed to a technical conference or later hearing or would not be heard at all. The Board then sought comments from the parties on the preliminary order and then made a final determination at the Pre-hearing Conference. This approach was followed during at the Manitoba Public Insurance general rate application during the Reporting Period.
- **Intervener Cost Policy.** In order for interveners to be eligible for funding at a hearing, they must apply and demonstrate that costs are incurred in a responsible manner and have assisted the Board in making its decisions. The Board determined that it needed to bring greater clarity to the process, simplify it and reduce the administrative and adjudicative work associated with intervener budgets, invoices and cost award. Previously, the Board panel was involved in reviewing the budgets of interveners. Now, board members are removed from reviewing the budgets of interveners and only review the application for cost awards after the hearing is completed. In this way, PUB staff provide comments to the interveners as to the reasonableness of their budgets when submitted, and the Board only determines the cost awards, based on the performance of the interveners and assistance to the Board after the hearing. The interveners now assume all risks if the Board does not grant the full cost award.

The updated policy is expected to save money through the following:

- Tighter control on Intervener work products and control budgets by PUB staff;
- A mandatory requirement of Interveners to collaborate on common issues to avoid duplication of resources and save time and costs;
- Changes to Intervener scope of work, or budget must be reviewed by PUB staff and acknowledged, reducing the administrative work; and

- Use of fillable Excel forms for calculating Intervener budgets, interim cost applications and final cost applications, reducing administrative burden with one uniform form or table.
- **Technology.** PUB continued to implement state-of-the-art technology solutions in 2018/19. The Board is actively promoting the use of technology to encourage distance participation of witnesses and the public in PUB processes. To date, this process has been highly successful and has continued to reduce the costs required for experts to travel to Winnipeg to provide testimony. The Board has used the technology to receive evidence of experts from Australia and California and public presentations from places outside Canada. In addition, during the Report Period, the PUB hearing facilities was used by other departments and organizations to run webinars which were viewed by people around the world.
- **Efficiency Manitoba.** A review of the draft Regulations to *The Efficiency Manitoba Act* began in 2018/19 to better understand their implications as part of the review of the Efficiency Manitoba plan to be undertaken by the PUB.

C.2 Effective Communications in Relationships with Stakeholders

The PUB uses clear and continual communication to demonstrate that it is an independent, impartial, competent, transparent and responsive regulator and thereby builds trust with stakeholders. The PUB seeks different ways to facilitate and increase participation in the hearing process. It has also instituted ongoing communication with different participants in the process. It communicates the content of Orders with Ministers and senior government officials after they are released to the public. It also holds ongoing discussions with utilities outside of the hearing process period.

Activities in 2018/19

- **Meetings with Stakeholders.** During the Report Year, the Chair of PUB and the Executive Director met and communicated with key stakeholders including the Chair and President/CEO of Manitoba Hydro, the Chair and President/CEO of Manitoba Public Insurance and representatives of the Association of Manitoba Municipalities. These meetings discussed issues of interest to the parties, but did not involve any issues related to a PUB order or a matter that would be reviewed at a public hearing. The Chair of the PUB did not meet to discuss such issues with senior staff of the utilities as that had the potential of creating a problem if the same matters were considered at a hearing. Instead, PUB Executive Director and staff met and/or communicated with the senior staff of the utilities on a regular basis.

- **Website.** The PUB encourages the use of its website to receive communications from the public and make the content of those comments known, in one form or another, at the public hearing. For the 2018/19 Manitoba Hydro General Rate Application, a record number of 2,300+ Manitobans sent e-mails expressing their opinions and included their names and contact information. The site can be found at <http://www.pubmanitoba.ca/v1/index.html>.
- **Livestreaming Hearings.** PUB continues the use of technology in the hearing room that allowed all hearings to be livestreamed and recorded, with people watching them on the Board's website either live or at a later time. This technology has allowed thousands of people to watch the MPI and Manitoba Hydro General Rate Applications and continues to allow them do so at any time. It has also used the technology to allow interveners' counsel to participate from abroad by watching the livestream and communicate by telephone. The Board continually meets with different government departments to discuss and promote the livestreaming technology. PUB has provided a standing offer to use its hearing room for all government departments when not in use by the Board.
- **Changes to Public Notice.** The PUB continues to take steps to improve the form, content, and distribution of its notices that advise the public of applications before PUB. PUB notices are now shorter and easier to understand in order to promote greater public participation in the hearing process. Such participation could occur either through requests for intervention or presentations to the Board panel hearing an application. The template for the new notice was used by PUB for applications received during 2018/19 and beyond.

C.3 Efficient Internal Operations

PUB will continue to look for operational efficiencies to make the best possible use of resources in fulfilling its mandate and delivering on its vision and mission.

- PUB now uses digitized historical records which originally comprised of 800,000 paper documents and makes the filings and documents available in digital format.
- All filings by applicants and interveners are now made digitally.
- PUB uses enhanced technology (SmartBoard) for remote communications and information sharing (SharePoint) with PUB members and advisers.
- PUB's new website allows members of the public to file comments and complaints electronically.
- PUB continues to invest in Board and staff education programs so they may carry out their respective duties more effectively.

- The Board continues to revise and monitor the succession plan for PUB staff and PUB advisors, as well as the performance of PUB advisors.

C.4 PUB 2020 and Beyond

To meet its vision of effective, innovative regulatory processes and decisions for Manitobans, PUB continues to take a long-term view and build for the future. The PUB review and the processes to streamline the hearing process fall within PUB 2020. Most importantly, PUB is seeking legislative changes that will align *The Public Utilities Board Act* with the standards followed in other Canadian jurisdictions. These include the powers to enforce its orders. The Board also communicates with other Canadian jurisdictions on a continual basis and meets with representatives of other Canadian utility regulators at conferences and discusses how to introduce and follow best practices to the greatest extent possible based on its limited resources.

C.5 PUB Operational Priorities

The Board revised its short-term external and internal operational priorities for the 2019-2020 fiscal year:

External priorities:

1. Address rate applications from major utilities. **ONGOING**
2. Develop strategies and practical processes to improve the water and wastewater rate review system. **UNDERWAY**
3. Increase the use of the simplified filing process for water and wastewater applications through awareness building and support to eligible Utilities. **UNDERWAY**
4. Continue to work with stakeholders to develop and implement policies and processes to improve the efficiency and effectiveness of the pre-hearing and hearing processes. **UNDERWAY**
5. Continue to follow up on directives from prior PUB Orders and to address outstanding compliance issues. **UNDERWAY**
6. Upon direction of the responsible Minister, prepare to conduct public hearings on Payday Loans & Government Cheque Cashing and to report the results to the Government. **Subject to direction from Government of Manitoba**
7. Review the revised policy to deal with the granting of status and the funding of interveners in PUB processes and implement changes as required. **UNDERWAY**
8. Develop and implement a process for dealing with Commercially Sensitive Information. **UNDERWAY**

9. Promote technology solutions to encourage distance participation of witnesses and the public in PUB processes. **ONGOING**
10. Meet with the Association of Manitoba Municipalities, and with other stakeholders as required, to build better mutual understanding with members. **UNDERWAY**
11. Review the Regulations to the Efficiency Manitoba Act to understand their implications for the PUB, and prepare to implement their requirements. **UNDERWAY**

Internal priorities:

1. Revise the succession plan for PUB staff. **UNDERWAY**
2. Develop an inventory of issues and report on the status of each area of PUB responsibility to the Board on a regular basis. **ONGOING**
3. Identify and monitor the status of PUB directives to Utilities, and report to the Board on a regular basis. **ONGOING**
4. Monitor the succession plan for and performance of PUB advisers. **UNDERWAY**

D. PUB Oversight

PUB decisions relating to the rate applications of the major utilities usually focus on issues that are specific to either the utility and/or the application before it.

Some issues are routinely addressed by PUB when considering rate applications by Manitoba Hydro, Centra Gas, and MPI, the major crown corporations.

- PUB scrutinizes operating and maintenance costs, in part because of the steady increase in those expenses, related in part to increasing employee levels, and investments in infrastructure;
- PUB reviews and approves capital expenditures for MPI and Centra Gas which is critical as they figure so prominently in the rate requests;
- PUB is excluded by statute from reviewing and approving capital expenditures for Manitoba Hydro but it may consider them as a factor in setting rates for a Manitoba Hydro General Rate Application;
- Given they are monopoly service providers and not subject to competition, where possible, PUB has started to target the benchmarking of operating results in order to evaluate the utility's performance from year to year and, where applicable, relative to utilities providing similar services in other jurisdictions. PUB will continue to emphasize benchmarking results in order to focus on performance measurements; and

- Accounting standards for utilities are in continuous evolution. International Financial Reporting Standards (IFRS), for example, are affecting all rate-regulated utilities. PUB extensively examines accounting changes and their impacts on rates.

Municipal water and wastewater rates do not always reflect the true cost of providing services. PUB is concerned some costs that are the responsibility of ratepayers are being borne by the taxpayers. To correct this situation, PUB has taken steps to ensure that costs are properly accounted for, deficits are addressed, rate increases are timely, and municipalities are not subsidizing rates with tax revenues. PUB is also trying to persuade municipalities to file for modest rate increases on a regular basis rather than waiting for many years which results in significant rate hikes that trigger outbursts from ratepayers. To help facilitate this practice, PUB has introduced process changes to streamline the rate-setting process for municipal water and wastewater utilities.

When addressing electricity and natural gas applications, PUB thoroughly considers energy efficiency plans, emphasizing the need for improved customer awareness of energy efficiency programs and the savings that can be achieved by insulation and furnace upgrades. The PUB also emphasizes the need to make energy efficiency programs accessible to low-income ratepayers as a means of mitigating the impact of future electricity rate increases.

PUB considers safety of citizens to be a high priority and it continues to be very attentive to safety issues. Pipeline and gas distribution safety is a major consideration when reviewing the activities and services of Centra Gas and Stittco Utilities Manitoba Inc. PUB carefully reviews the road safety expenditures made by MPI which will receive additional scrutiny with the decision of the Government of Canada to legalize small amounts of cannabis use on October 17, 2018. In Order 130/17 PUB ordered that a Technical Conference take place in early 2019 to address road-safety related issues. The conference is scheduled for April, 2019. The findings of this Technical Conference, as with all technical conferences, will be used in preparation for the next General Rate Application (GRA).

Infrastructure renewal and investment is an ongoing issue for all Manitoba utilities. PUB has made it a priority to examine infrastructure investments. Rate decisions often address funding to support infrastructure investments. Manitoba Hydro's plans encompass significant infrastructure expenditures over the next decade. MPI makes significant investments in technology, specifically in its computer systems and software applications. These capital expenditures continue to be closely examined by PUB.

PUB continues to closely examine the reserve and equity levels of all utilities. Utility reserves or equity, if adequate, allow utilities to mitigate the impact of unexpected expenditures or cope with revenue shortfalls without resorting to significant rate increases which can lead to rate shock.

- Manitoba Hydro has incurred and will continue to incur very significant electricity infrastructure expenditures as part of its major capital expenditure program, forecasted to be \$2.6 Billion in 2018/19 and \$1.9 Billion in 2019/20, that will lead to a reduction in its equity levels for a period of time. Manitoba Hydro's other risks include inclement weather, such as drought, infrastructure damage or equipment failure, export market price fluctuations, and rising interest rates.
- MPI is at risk from inclement weather, interest rate, and fluctuations in the financial markets. The determination of a target level of reserves for MPI's basic line of business has been an issue for a number of years. The Board's most recent Order on insurance rates taking effect on March 1, 2019 reviewed the methodology for determining the minimum and maximum rate reserve levels for its basic line of insurance, and mandated a technical conference to occur before the next filing, with the objective of developing a stakeholder consensus around a capital management plan.
- The adequacy of financial reserves and working capital levels of water and wastewater utilities have been of continuing concern of PUB. Board decisions have addressed deficits, shortfalls in reserves, and working capital levels when necessary. In the case of water and wastewater utilities, the major risk involves regulatory changes and expensive repairs because of system breakdowns.

The Board is concerned with utilities failing to comply with Board Orders, especially as the Board has limited powers to enforce its Orders. An applicant's only option in response to a Board Order is to comply with the Order, seek a request for a review and variance from the Board, or seek leave to appeal the Board's decision from the Manitoba Court of Appeal. Ignoring a Board Order is not an option. The Board has the jurisdiction to impose financial penalties to the maximum of \$100.00 per day and/or stay future applications in the event the utility does not comply with all or part of a Board Order.

D.1 Overview of Board Orders

All Orders issued by the Board are posted on the PUB's website, located at: <http://www.pubmanitoba.ca/v1/index.html>.

Numerous rate applications approved by the Board are based on pre-set formulas for calculating rates: Manitoba Hydro's weekly surplus energy rates, Stittco's propane gas rates, and Centra's quarterly Primary Gas rates are calculated on such a basis. Typically,

these applications are considered on an ex parte (without public consultation) basis.

Applications may be made by the utility or affected parties requesting that PUB review and vary its decisions. Board decisions on a Review and Vary Application may be appealed to the Manitoba Court of Appeal. Two applications for leave to appeal were launched during the 2018/19 Reporting Period, one by Manitoba Hydro and another by the Government of Manitoba (Department of Infrastructure). The second leave application was denied and the first leave application was pending as of April 1, 2019.

During the 2018/19 Reporting Period, PUB issued 167 Orders and 9 gas broker licences compared to 154 Orders and 32 licences in 2017/18.

D.2 Assigned Duties

Pursuant to section 107 of *The Public Utilities Board Act*, PUB may be assigned duties by Act or resolution of the legislature, by order of the Lieutenant Governor in Council, or as an appellate or arbitrating body under an agreement between a municipality and the owner of a public utility.

In the Reporting Period the Board was assigned specific duties in relation to capital expenditures pertaining to Manitoba Hydro through Provincial Government's Order-in-Council (OiC) 92/17. This formed part of PUB Order 59/18 issued May 1, 2018.

D.3 PUB Inquiries

Pursuant to subsection 27(1) of *The Public Utilities Board Act*, the Board may of its own motion, and will upon the request of the Legislature or the Lieutenant Governor in Council, inquire into, hear, and determine any matter or thing within its jurisdiction.

During 2018/19, no inquiries were undertaken by PUB and, consequently, no related Orders or reports were issued by the Board.

D.4 PUB Award of Costs

Pursuant to Section 56 of *The Public Utilities Board Act*, the Board has jurisdiction to award costs of, and incidentals to, any proceeding.

The Board's Rules of Practice and Procedure (Rules) set out the process for the Board to award costs to be paid to interveners.

The Board issued a number of Orders related to the award of costs to individual approved interveners after hearings involving issues relating to Manitoba Hydro and MPI. The Board notified interveners that the Board must be notified of an increase of 10% or more

of its preliminary budget in order for it to be considered for an award of costs. The issue of awarding costs to interveners is being considered during PUB's Review. The Board addressed the issue on a one-off basis for the Manitoba Hydro General Rate Application pending completion of PUB's Review. It amended the process for the Manitoba Hydro GRA so the Board would not review the budgets of interveners until the cost of awards phase after the hearing was completed. PUB staff received the preliminary budgets and provided comments to the counsel for the interveners. The Board only considered the interveners costs in terms of their performance and whether they assisted the Board in making its decision. The Board has decided to adopt the same process on an interim basis for the next Centra Gas and MPI General Rate Applications. Once those are concluded the entire Board will determine whether it wishes to change its general policy on awarding costs to interveners.

D.5 PUB Fees

Fees assessed by PUB are paid by applicants, utilities and licensees to the Minister of Finance and added to Manitoba Government's Consolidated Revenue Fund. The fee schedule has remained unchanged since 1994.

Fees payable to the Minister of Finance by utilities and persons who are parties to, or interested in, matters coming before PUB are set out in the Public Utilities Board Fees Regulation and amendments as prescribed by PUB pursuant to s. 57 of *The Public Utilities Board Act*.

D.6 Legal Matters

There were two legal proceedings involving PUB in the Reporting Period. Among the directives in PUB Order 50/18 the Board created a First Nations On-Reserve class whose rate for service would be different from those customers remaining in the existing "residential class" ("Directive 6"). The Board also directed Manitoba Hydro retain an independent consultant to assess the Utility's development of its asset management program ("Directive 14"). Manitoba Hydro filed an application to the Manitoba Court of Appeal seeking leave to appeal to the full court, claiming the Board exceeded its jurisdiction in issuing directives 4 and 6. The leave application was heard in January, 2019 but a decision on the leave application was not issued during the Reporting Period.

Manitoba Infrastructure sought leave to appeal a PUB Order, which overturned an order of the Highway Traffic Board. The leave application was denied by the court.

D.7 PUB Financial Results

PUB fees are paid into the Consolidated Revenue Fund. PUB expenses are paid out of the departmental appropriation; the budget amount is determined via the government's appropriation process. Unspent appropriated funds are not accumulated in PUB reserves.

PUB spent a total of \$1.353 million in 2018/19, slightly lower than the \$1.385 million spent in 2017/18. The actual expenditures reflect PUB's lower operating costs, but higher salaries and benefits costs.

PUB directs utilities and applicants to pay the costs of PUB advisors and independent expert consultants appointed by the Board. By Board Order, PUB requires utilities and applicants to also pay all or a portion of the costs incurred by interveners in its hearings. The costs are paid directly by the utilities and applicants to the parties granted cost awards after review and approval of the costs by the utilities and applicants and PUB. These payments are not made to PUB or the Consolidated Revenue Fund.

REGULATED UTILITIES AND ENTITIES

I. Manitoba Hydro – Electricity

2018/19 General Rate Application

On May 5, 2017, Manitoba Hydro filed a GRA that sought three rate decisions from the Board:

- Finalization of a 3.36% interim rate increase effective August 1, 2016 granted under Order 59/16;
- Finalization of a 3.36% interim rate increase effective August 1, 2017 granted under Order 80/17; and
- Approval of a new 7.9% rate increase effective April 1, 2018.

The Board heard evidence from eight interveners, as well as Manitoba Hydro, in the review of Manitoba Hydro's Application. The process for the Board's consideration of Manitoba Hydro's GRA also included a review of Manitoba Hydro's capital expenditures. This duty was assigned to the Board by means of the Provincial Government's Order-in-Council 92/17 as a factor in setting rates.

The oral evidentiary hearing commenced on December 21, 2017. The Board heard 31 days of oral evidence. The Board also received over 2,300 comments from the public on Manitoba Hydro's proposed 7.9% rate increase.

The Board's decision was issued on May 1, 2018 in Order 59/18. The Board approved a final rate increase of 3.36% previously approved as interim effective August 1, 2016, a final rate increase of 3.36% previously approved as interim effective August 1, 2017, and denied the 7.9% across-the-board rate increase that was to be effective April 1, 2018. The Board instead approved a 3.6% average revenue increase to be recovered in Manitoba Hydro consumers' rates effective June 1, 2018. The recovery of the additional revenues is to be through rate increases at a different level for each customer class to address past and current under/over-payment of costs by customer classes.

In addition to the above-noted decisions, the Board issued 33 additional directives to Manitoba Hydro, made seven recommendations to the Provincial Government, and made nine recommendations to Manitoba Hydro.

2019/20 General Rate Application

On November 30, 2018, Manitoba Hydro filed a GRA that sought an across-the-board increase of 3.5% to customer rates, to be effective April 1, 2019. If approved by the Board, the rate increase was projected to generate additional revenues in the 2019/20 fiscal year of \$59 million. Without the requested 3.5% rate increase, Manitoba Hydro projected that it would experience a net loss of \$28 million from electric operations.

On February 14, 2019 Manitoba Hydro filed a Supplement to their 2019/20 GRA which included updated financial statements and revenue information for 2018/19 and 2019/20, based on actual results as of December 31, 2018.

Rather than the \$28 million loss previously projected, without any rate increase, Manitoba Hydro projected an improvement of \$92 million, with positive net income of \$64 million in 2019/20. Additionally for the 2018/19 fiscal year which ends March 31, 2019, Manitoba Hydro projected net income of \$95 million, rather than the \$51 million projected in the November 30, 2018 filing.

The Board approved the following parties to be Interveners at the hearing:

- Assembly of Manitoba Chiefs - a political, advocacy and technical body that represents 62 of 63 First Nations communities in Manitoba and approximately 130,000 people.
- Consumers Coalition - a coalition of the Consumers' Association of Canada (Manitoba)/Winnipeg Harvest, that seeks to represent the interests of all Manitoba residential consumers, including low-income consumers, the working poor, and those living on reserve and in remote and rural communities.
- Manitoba Industrial Power Users Group - an association of companies who are substantial users of power in the General Service Large rate classes.

- Manitoba Keewatinowi Okimakanak (MKO) - a non-profit advocacy organization that represents more than 65,000 treaty First Nations citizens in northern Manitoba.

As of March 31, 2019 the Board was continuing its review of Manitoba Hydro's 2019/20 Rate Application.

Weekly Surplus Energy Rate Program (SEP)

Manitoba Hydro's United States export revenues are either generated from contracted sales at predetermined prices or from opportunity sales. The opportunity revenues are based on current electricity market wholesale prices and the level of excess generation and transmission available to Manitoba Hydro.

Manitoba Hydro makes surplus energy (i.e. generated or purchased energy exceeding its domestic and export requirements) available on an interruptible basis to its General Service (GS) customers. This energy is available at prices comparable to Manitoba Hydro's opportunity (not contracted) United States export sales or, in the case where the utility expects to import power, at a price reflective of Manitoba Hydro's cost with a 10% surcharge.

SEP energy prices are forecast by Manitoba Hydro on a weekly basis for each of the peak, off-peak, and shoulder time periods using United States export sales prices and submitted to PUB for approval. During the Reporting Period, PUB issued weekly interim ex parte SEP rate orders which will be finalized as part of a GRA process.

All SEP customers are billed a monthly basic charge, distribution charge and an energy charge. The monthly basic charge is fixed and depends on the size of the connected load. The distribution charge per kWh (kilowatt-hour) varies by customer class. The energy charge per kWh, applicable to three pricing periods, varies based on expected market prices from week-to-week.

The SEP was first approved by PUB in Order 90/00, which stipulated that the SEP would terminate on March 31, 2004. Since that time, the SEP has been repeatedly extended.

Electrical Reliability

Under the reliability provisions of *The Public Utilities Board Act*, PUB has the authority to:

- (a) decide whether a reliability standard has been violated and what penalty, if any, to impose for a violation;
- (b) review a reliability standard at the request of a Manitoba entity that is required to comply with a standard; PUB can confirm a standard or remand it back to the North American Electric Reliability Corporation (NERC) for consideration; and
- (c) when requested by the Minister responsible for PUB, provide advice/recommendations about fees that Manitoba entities must pay to the standards body or compliance body in relation to making or enforcing reliability standards.

During 2018-19, the PUB did not exercise any of its powers related to electric reliability.

Organization of MISO States (OMS) Activities

PUB is a full-voting member of OMS. The Chair of PUB is a member of its Board of Directors.

OMS is a non-profit, self-governing organization of representatives from each member state and Manitoba with regulatory jurisdiction over entities participating in the Midcontinent Independent System Operator, Inc. (MISO), a regional transmission organization as defined by the Federal Energy Regulatory Commission (FERC). Manitoba Hydro is an associate member of MISO. The purpose of the OMS is to coordinate regulatory oversight among the member states and Manitoba, including recommendations to MISO, the MISO Board of Directors, the FERC, NERC, and other relevant government entities, and state commissions or provincial government as appropriate.

OMS is an important source of independent information about the MISO market, which is the principal market for Manitoba Hydro electricity exports.

OMS officially expresses the views of member American state jurisdictions and Manitoba, unless Manitoba abstains, on issues related to electricity generation and transmission across state/province and national boundaries, for joint presentation to United States federal regulators and to MISO. Many issues are specific to United States jurisdiction, consequently PUB's representative usually abstains from voting.

II. Centra Gas Manitoba Inc. (Centra)

Centra is a wholly-owned subsidiary of Manitoba Hydro. PUB regulates all aspects of Centra's operations including capital expenditures and rates charged by Centra for the transportation and distribution of gas as well as rates charged for Primary and Supplemental Gas.

Centra distributes natural gas to over 250,000 residential, commercial and industrial customers. Since its purchase by Manitoba Hydro in 1999, it has been fully integrated within Manitoba Hydro's general operations.

Rate and Operational Reviews

The price of natural gas is set on continental energy markets based on supply and demand. Gas is purchased from Western Canadian and United States producers and transported by pipeline to Manitoba for immediate or later distribution within Manitoba through Centra's infrastructure. Gas storage facilities located in Michigan are filled during the summer months and then emptied, at times notionally, during the high consumption winter months.

Centra does not mark up its gas costs and earns no profit on the sale of gas. To ensure that the exact cost is passed on to customers, Centra maintains deferral accounts which record differences between the gas costs embedded in rates and Centra's actual costs.

The five components of natural gas rates billed to Centra's customers are:

- Primary Gas – gas sourced by Centra under its Western Canadian gas supply contract, which is priced quarterly by Centra, or gas purchased by consumers from either Centra or independent gas marketers and brokers under contracts, usually for a fixed rate and a fixed term;
- Supplemental Gas - gas required to meet the needs of Centra's customers during periods of peak load or other seasonal requirements. Supplemental Gas is applicable to the majority of customers, whether they purchase quarterly-priced Primary Gas from Centra or fixed-rate gas through contracts;
- Transportation (to Centra) – the cost of transporting natural gas to Manitoba, including charges for pipelines not owned by Centra and the cost of gas storage facilities and is applicable to the majority of Centra's customers;
- Distribution (to Customer) - the cost of delivering natural gas to a customer's home or business, including the cost of facilities and pipelines owned by Centra, as well as the operation and maintenance costs for the distribution system and a small cost component related to unaccounted-for gas; and

- Basic Monthly Charge - the cost related to customer service including meter reading and billing, as well as the cost of the service line and the meter.

Order 89/13, dated August 2, 2013, and arising out of Centra's 2013/14 General Rate Application, approved the current Basic Monthly Charges.

Centra's Primary Gas rates are subject to quarterly amendment. Orders were issued as follows: Order 55/18 for rates effective May 1, 2018; Order 93/18 for rates effective August 1, 2018; Order 143/18 for rates effective November 1, 201; and Order 16/19 for rates effective February 1, 2019.

These regularly-scheduled, quarterly Primary Gas rate reviews occur in accordance with the Board-approved Rate Setting Methodology (RSM), which is formula-driven and relies on established accounting and rate setting conventions. The Rate Setting Methodology determines a Primary Gas rate based on the forecast of natural gas prices and includes several factors that reflect the costs Centra incurs in providing Primary Gas to its customers.

The quarterly primary gas rate setting does not involve a public hearing, given the formulaic nature of the RSM, and the PUB's goal of minimizing regulatory costs. Public reviews of primary gas rates are conducted at periodic Cost of Gas or General Rate Application hearings.

On November 30, 2018, Centra filed a GRA with the Board. While Centra is not seeking a general revenue increase for the Utility, if approved, the rates for some classes will change effective August 1, 2019.

On January 24, 2019, the Board conducted a Pre-Hearing Conference with Centra and prospective Interveners. All parties provided submissions respecting the scope of the GRA process and the issues to be canvassed during the GRA. The Board approved Intervener status to the following parties for the hearing:

Five large users:

- Bunge Canada
- Koch Fertilizer Canada, ULC
- McCain Foods (Canada)
- Richardson International Limited
- Simplot Canada (II) Limited

Five organizations:

- BP Canada Energy Group ULC – a registered natural gas marketer in Manitoba that provides gas management services and gas supply services to several Transportation-service customers of Centra. It is also a major shipper on the TransCanada PipeLines Limited’s Mainline.
- Consumer’s Association of Canada (Manitoba) Inc. – a non-profit, independent organization working to inform and empower consumers, and to represent the consumer interest in Manitoba.
- Industrial Gas Users (IGU) – an informal association of companies who are substantial users of natural gas. Its core membership represents a substantial portion of industrial customer natural gas service in Manitoba.
- TransCanada PipeLines Limited – an owner and operator of a high-pressure natural gas transmission system that extends from Alberta to Ontario and through a portion of Quebec, connecting to various downstream Canadian and international pipelines (Mainline).
- Unifor Local 681 – a membership representing approximately 250 natural gas workers at Centra.

A public hearing is scheduled to commence the week of August 12, 2019.

Non-Primary Gas

Non-Primary Gas components of Centra’s rates, for all customers including those receiving natural gas through fixed-rate contracts, are also periodically reviewed and approved by PUB. These non-Primary Gas rate reviews occur either through periodic Cost of Gas hearings, which also provide for the finalization of past interim quarterly Primary Gas rate changes, or in the context of a GRA.

Order 79/17 is the most recent Order to adjust non-Primary Gas rates.

Centra’s last General Rate Application was held in 2013, followed by a Cost of Gas Hearing that addressed regulatory matters with respect to Centra’s non-Primary Gas rates that have arisen since that time. The last Cost of Gas Order 108/15 was issued by PUB in October of 2015 and amended in January 2016. Centra’s 2019/20 GRA was filed on November 30, 2018 and a public hearing has been scheduled to commence the week of August 12, 2019.

Franchise Extensions

The Public Utilities Board Act provides that a franchise granted to any owner of a public utility by a municipality is subject to the approval of the Board. The Board has the authority to grant or refuse a franchise to sell gas, or to directly purchase gas, or revoke an existing franchise to sell gas, or to directly purchase gas within the Province. Centra applies to the Board for approval, renewal or extension of franchise agreements. The franchise does not take effect until approved by an Order of the Board. Franchise agreements are granted by the Board on an interim *ex parte* basis subject to the passing of a financial feasibility test, to be finalized at a hearing of the Board.

PUB has not finalized any franchise agreements since the last GRA in the issuance of Board Order 85/13. Any interim *ex parte* orders issued since that time are subject to review and are available for comments from the public and interveners. PUB issued one Franchise Crossing Agreement on an interim basis in Order 56/18 for the 2018/19 year.

Service Disconnections

PUB has broad responsibilities with respect to the regulation of gas and propane services as supplied by Manitoba utilities. PUB oversees service disconnections for gas customers. Most service disconnections occur as a result of non-payment of accounts.

Disconnection for non-payment of gas services in arrears can only occur from May 15 to September 30. Disconnection will not occur on gas services for occupied residential premises from October 1 to May 14.

No gas disconnections were appealed in 2018/19.

Board Order 14/08 contains PUB's approved policies and procedures for disconnection and reconnection. PUB also has review and appeal processes for disconnection. The Board only has authority over disconnections for gas customers. All electric customers fall outside the jurisdiction of PUB. There is no right of appeal to the Board for an electrical service disconnection as Manitoba Hydro sets its own disconnection policies and any customer appeals go to Manitoba Hydro. PUB reviewed an earlier policy that purported to provide it jurisdiction over combined electricity/natural gas customers. After revising the earlier policy, PUB notified Manitoba Hydro that it would not consider appeals of the disconnection of electricity services, whether or not the customer used electricity or gas for heating purposes.

The Board receives numerous calls from gas/electric customers every year regarding actual or potential disconnections. Board staff assist in negotiating payment arrangements between the customer and Manitoba Hydro or in informing the customer of social service programs that can be approached to provide relief.

The Board also receives numerous calls from electric-only customers wanting to appeal a disconnection. They are advised the Board does not have jurisdiction over electricity disconnections. These customers are encouraged to contact Manitoba Hydro directly.

Gas Safety

PUB monitors natural gas and propane pipeline safety activities in the Province under *The Gas Pipe Line Act*. PUB's activities include the designation of minimum standards for gas pipeline systems, receiving engineering certifications for the construction of pipelines, and reviewing liability insurance requirements. PUB also monitors key performance indicators and management systems used by utilities to ensure that gas is safely distributed to customers.

III. Efficiency Manitoba

The responsibility for energy efficiency programs will shift from Manitoba Hydro to the new crown corporation Efficiency Manitoba with the introduction of *The Efficiency Manitoba Act*. Under that Act PUB will have the mandate to review the efficiency plan of Efficiency Manitoba and make a report with recommendations to the Minister appointed by Lieutenant-Governor-in-Council. There was no Efficiency Manitoba hearing or review scheduled in 2018/19.

PUB expects it will receive a request from the Minister responsible in 2019/20 to undertake a review in 2020 and issue a report to the Minister.

IV. Stittco Utilities Man Ltd. (Stittco)

Since the early 1960s, Stittco has provided propane distribution services to customers in Thompson, Snow Lake, Flin Flon, and Churchill. Stittco also now services The Pas. PUB regulates both Stittco's non-commodity and commodity costs to customers.

Non-commodity costs consist of costs incurred by Stittco for the distribution of propane to its customers. These costs include operating expenses, depreciation, a provision for corporate income tax, and a return on Stittco's rate base for its owners. Stittco applies annually for an increase in its non-commodity rates. Allowed costs are recovered in rates through a basic monthly charge and delivery charges based on customer consumption. With lower projected propane consumption volumes, combined with the approved increases in non-commodity costs, there is a resulting ongoing annual increase in charges to customers separate from the costs of supply and transportation to Manitoba.

Decisions for Stittco were issued for non-commodity costs in Order 169/18, effective January 1, 2019.

Commodity rates for propane are adjusted quarterly using the Quarterly Rate Setting (QRS) process approved by the Board in Order 141/08 and 45/09. The Board issued the following quarterly propane rate decisions:

- Order 57/18 effective May 1, 2018;
- Order 94/18 effective August 1, 2018;
- Order 144/18 effective November 1, 2018; and
- Order 14/19 effective February 1, 2019.

V. Natural Gas Marketers

PUB regulates independent natural gas marketers that sell natural gas directly to Manitoba consumers.

Natural gas marketers are independent businesses that sell Primary Gas to Manitoba customers or otherwise deliver, distribute, store, or transmit gas within Manitoba.

Nearly all marketers licensed by PUB serve the commercial and industrial gas supply market. Larger gas users are assumed to be informed buyers and can either negotiate fixed rate and terms contracts on their own or receive Centra's quarterly gas supply product.

PUB issued renewal licenses to nine natural gas marketers during 2018/19. The broker licences became effective November 1, 2018 and will expire on October 31, 2019. Marketer licences are reviewed by PUB every year.

In Manitoba, a consumer of natural gas can purchase Primary Gas from:

- 1) Centra Gas at a variable gas rate that is approved every three months by PUB;
- 2) an independent gas marketer or Centra Gas under a fixed-rate, fixed-term contract.

One licensed gas marketer, Just Energy, offers residential consumers a fixed-rate fixed-term option as an alternative to Centra's regulated quarterly cost-based Primary Gas Rate. Centra began offering fixed-rate fixed-term Primary Gas offerings in February 2009.

PUB controls the sales activities of marketers through a Code of Conduct. In addition to overseeing the terms under which Centra distributes Primary Gas for the marketer to its

customers and establishing and monitoring the Code of Conduct that governs a marketer's marketing to consumers, PUB intervenes and investigates complaints from marketer customers. Typically, PUB is able to facilitate a reasonable outcome through discussions between the marketer and the customer; it is not required to hold a public hearing to address complaints.

PUB adopted a new gas marketer Code of Conduct in Order 65/15 issued July 2015, which took effect on January 1, 2016. The Code is intended to mitigate small volume consumers' complaints of aggressive and fraudulent marketing practices of natural gas marketers. The Code gives small volume consumers a mandatory 48 hour waiting period before a contract can be executed by the broker. The customer signs an "Intent to Buy" agreement with a gas marketer followed by the signing on an actual contract after 48 hours if the customer decides to enter into a contract. The Code requires improved marketer training and mandatory natural gas rate comparison disclosures so consumers can make informed decisions without the pressure tactics of some marketers. Under the Code, door-to-door, telephone, direct mailings, and web-based transactions with small volume customers are governed by detailed instructions approved by PUB.

VI. Manitoba Public Insurance (MPI)

MPI was established in 1971 as the monopoly provider of basic motor vehicle insurance.

Pursuant to *The Crown Corporations Governance and Accountability Act*, PUB approves just and reasonable rate bases and premiums charged for basic compulsory driver and vehicle insurance (Basic) provided by MPI.

Manitoba residents are required to purchase MPI's Basic insurance. It includes:

- all-perils coverage for accidental damage to most registered vehicles;
- third party liability for claims if a registered vehicle injures other people elsewhere in Canada or the United States, or damages the property of other people anywhere in Canada or the United States; and
- Personal Injury Protection Plan (PIPP) for injury or death caused by an automobile.

Under PIPP, all Manitobans have accident benefit coverage in case of a vehicle accident, whether they are drivers or not, and whether the accident occurs in Manitoba or anywhere in Canada or the United States.

Basic insurance provides \$200,000 third party liability and a \$500 deductible. Any additional coverage for third party liability or a lower deductible falls under Extensions coverage. PUB has no authority over rates or the separate Extensions coverage reserve

fund. PUB also does not approve rates for MPI Special Risk Extension (SRE) nor have any jurisdiction over that reserve fund.

Unlike PUB's other regulated utilities, MPI's rates are in force only for an insurance year (February 1 to January 31) and an annual rate hearing is required.

In Order 159/18 (December 3, 2018) PUB approved an overall rate increase of 1.8% for Basic premiums for the 2019/20 insurance year, effective March 1, 2019, for all major classes combined rather than the 2.2% requested by MPI. Based on MPI's rate design, each major vehicle class had different average vehicle premium changes.

PUB also approved MPI's proposal for no change in permit and certificate rates, vehicle premium discounts, service and transaction fees, and fleet rebates or surcharges.

Based on the results of MPI's methodology, updated to reflect market interest rates at the end of September 2018, the Board approved a lower threshold for the Basic Total Equity target capital of \$140 million and an upper threshold of \$315 million for fiscal year 2018/19. The Board also directed that, for the next GRA, the Dynamic Capital Adequacy Testing (DCAT) base scenario forecast, also used in the Basic target capital analysis, must fully reflect any expected capital adjustments arising from the thorough capital management plan which the Board will also direct to be proposed in the next GRA.

The Board also directed that two technical conferences be held; the first, with the objective of developing a stakeholder consensus around a capital management plan, through discussion of the Corporation's draft proposal; the second technical conference was specific to road safety. The findings from the technical conferences will be reflected in the 2020 GRA.

VII. Water and Wastewater Utilities

PUB has rate and other regulatory responsibilities for all of Manitoba's water and/or wastewater utilities.

Water utilities are public utilities as defined in *The Public Utilities Board Act* and their regulation is mandatory.

Wastewater (or sewer)-only utilities need to be declared by the Board to be public utilities to be regulated. A general declaration was made to this effect in Order 93/09.

At the end of the 2018/19 fiscal year, PUB had a regulatory caseload of approximately 240 water and/or wastewater utilities, including approximately 200 municipal utilities and 40 cooperative and privately owned utilities. At the end of March 2019, PUB had 40 active water and wastewater files, down 12 files from the previous year. The City of Winnipeg Charter excludes Winnipeg from PUB jurisdiction to approve rates for water and wastewater used by ratepayers in the City of Winnipeg.

In Order 86/17, the Board introduced a simplified rate application for water and wastewater rate applications and revised the minimum filing requirements for public utilities owned by municipalities. Utilities that wanted to increase rates up to 3% could do so, provided they met designated criteria by operating without deficit, they filed an annual audited financial statements and remained compliant. The minimum filing requirements were reduced by 40% and focused strictly on rate issues. The Board only received three simplified rate applications in 2018/19.

When regulating cooperative and privately-owned utilities, PUB uses a complaints based process in order to constrain regulatory costs. Many of these utilities are able to introduce rate changes by simply notifying their customers and providing PUB with financial information in support of the rate changes. If the increase is significant or if a rate increase results in many complaints, PUB will hold a public hearing in the region served by the utility.

In an effort to mitigate costs and resources for municipal utilities, guidelines and forms are available on PUB's website to assist in developing utility rate applications. Training sessions are offered by PUB to municipal staff on the use of the guidelines.

In 2018/19 there was one hearing, for the Rural Municipality of Rockwood.

Pursuant to subsection 165(2) of *The Municipal Act*, municipalities must obtain PUB's approval if budgeted expenditures exceed the sum of budgeted revenues (including transfers to the utility). In Order 151/08 the Board extended this requirement to all owners of water and/or wastewater utilities. Unless prior approval has been obtained, an owner

of a public utility must report the actual operating deficit in its utility to PUB where such deficit either exceeds \$10,000 or represents 5% of the utility's operating budget, and must advise the Board of the proposed method to recover the deficit.

In Order 105/04, the Board issued an order affecting all municipalities which set out the late payment fees to be charged on overdue utility accounts.

In Order 39/09, the Board issued an order affecting all public utility owners, setting out the conditions precedent for the disconnection of utility service for nonpayment. Disconnections can be appealed to the Board. There were no appeals on disconnections last year.

Pursuant to subsection 82(1) of *The Public Utilities Board Act*, the Board must approve utility amalgamations, decommissioning, or transfers of ownership. There were no applications for decommissioning or transfer of ownership from private to public utilities in 2018/19. There was one application for the Amalgamation of the four water and wastewater utilities in the Rural Municipality of Montcalm.

PUB meets and communicates with officials of the Association of Manitoba Municipalities (AMM) and the Manitoba Municipal Administrators Association (MMAA) on a periodic basis to discuss water and wastewater issues.

The Board issued 68 water and/or wastewater Orders during 2018/19, up from 63 Orders issued in 2017/18.

HIGHWAY TRAFFIC BOARD APPEALS

Pursuant to section 21 of *The Highways Protection Act*, Highway Traffic Board decisions can be appealed to PUB. These usually involve either driveway access to provincial highways, placement of buildings or the placement of signs, especially electronic signs, beside Manitoba highways. Appellants have included local landowners, businesses, and Manitoba Infrastructure.

PUB inspects the physical site related to the dispute and holds a public hearing in the area. Decision criteria include fairness and road safety. During 2018/19, the Board issued four Orders dealing with Highway Traffic Board appeals. Manitoba Infrastructure requested leave to appeal one of the Orders and the request was denied.

Jurisdiction over Highway Traffic Board appeals was removed from PUB pursuant to the provisions in *The Traffic and Transport Modernization Act*.

THE EMERGENCY 911 PUBLIC SAFETY ANSWERING POINT ACT

During 2005/06, *The Emergency 911 Safety Answering Point Act* was enacted. Applicants for provision of 911 service provision can appeal to the Board. To-date, no appeals have been filed.

THE CITY OF WINNIPEG CHARTER ACT (Passenger Transport)

The City of Winnipeg Charter Act provides that, where the City of Winnipeg signs an agreement with an operator to transport customers for a fixed fee within the City of Winnipeg, the agreement must be approved by the Board. The Board must also approve the operator, who then becomes subject to ongoing PUB oversight. Few of these agreements have been considered by PUB; they have mostly been limited to transport services for children and the elderly.

No passenger transport agreements were signed by the City during 2018/19.

THE CONSUMER PROTECTION ACT (Manitoba)

Payday Loans

Pursuant to section 164(2) of *The Consumer Protection Act (Manitoba)*, PUB was required to conduct a review of issues related to pay day loans within three years after MR. 50/2010 came into force. PUB submitted that report to the Government on September 23, 2013.

Pursuant to section 164.1(2) of *The Consumer Protection Act (Manitoba)*, every third year the Minister responsible must review the effectiveness of Part XVIII of that Act and the related regulation, and decide whether to require a further review by PUB in accordance with section 164 of the Act and whether to recommend changes to the payday loan provisions of the Act or regulations.

Manitoba Regulation 99/2007 sets the maximum cost of credit for a payday loan under *The Consumer Protection Act (Manitoba)*. *The regulation has been amended a number of times since it came into force.* Pursuant to section 164(2) of the *Consumer Protection Act (Manitoba)*, the Board was required to conduct a review of issues related to pay day loans within three years after later amending Manitoba Regulation 50/2010 came into force. The Board submitted that report to the Government on September 23, 2013.

By his letter received June 30, 2015, the Minister responsible asked PUB to review, no later than 2016, the maximum payday loan limits. PUB was specifically asked to analyze the impacts of reducing the maximum allowable rate that may be charged for a payday loan, from \$17 per \$100 borrowed to \$15 per \$100 borrowed and the impacts of reducing the proportion of a borrower's net pay, which is used to determine the maximum loan amount from 30% to 25%.

The Board undertook the review and issued a report dated June 17, 2016 to the Minister. The Board believed that a balance was required between the financial viability of the payday loans industry and the needs to protect consumers from falling into a debt trap or debt spiral. Its recommendations were:

- The cost for a payday loan remain unchanged at 17% of principal loaned.
- The borrowing limit remain at 30% of net pay.
- The 5% "cooling-off period" rate cap imposed in the regulations only applies for a one day period. After that the client could take out another loan at the regular rate of 17%.

- If a borrower request, the lender would be required to extend the loan for at least another pay period or convert the loan to an installment loan, provided the borrower has successfully paid off three previous payday loans during the preceding 12 month period. If the instalment loan is issued the cap on the rate for the loan should be set at 7%. The instalment loan period should allow repayment over at least the next four pay periods, where no payment exceeds 35% of the sum of the principal and the cost of the borrowing.
- A 5% rate cap on extension renewal and replacement loans remain unchanged.
- Lenders be prohibited from making more than 10 payday loans to a customer in a consecutive 12 month period.

The Government accepted the Board's recommendations.

There was no Pay Day Loans hearing scheduled in 2018/19.

PUB waits to see if it will receive a request from the Minister responsible later in 2019/20 to undertake a public hearing to review the maximum payday loan limits in 2020 and issue a report to the Minister.

Maximum Fees for Cashing Government Cheques

PUB is required to review government cheque cashing rates on a triennial basis and make a report to Government. Under Order 105/16, dated August 8, 2016, the Board set the maximum fees for cashing or negotiating government cheques in accordance with *The Consumer Protection Act (Manitoba)*. Government cheques include cheques of the Government of Canada, Province of Manitoba, and any government agency listed in the Government Cheque Cashing Fees Regulation. The Board also provided a series of recommendations to the Government.

Pursuant to subsection 169(2) of *The Consumer Protection Act (Manitoba)*, PUB must, by Order, fix the maximum amount or establish a rate, formula rate or tariff for determining the maximum amount that may be charged, required or accepted as a government cheque cashing fee. Subsection 169(5) of the Act requires that PUB review its existing Orders under this section at least once every three years. Government cheques include cheques of the Government of Canada, Province of Manitoba and any government agency listed in the provincial regulation.

The formula was originally established by Order 72/07 and continued in Order 51/10.

In March 2014, the Board issued Order 25/14 maintaining the rate set in Order 51/10.

The Board undertook a review and issued Order 105/16, dated August 8, 2016, with the following recommendations:

1. The Province of Manitoba should consider providing banks and credit unions with indemnification for provincial government cheques accepted with adequate identification for cheques of \$1,500 or lower.
2. The Province of Manitoba should work with financial institutions to reduce the holds on government cheques or eliminate the holds if indemnification is available for financial institutions accepting government cheques.
3. The Government of Manitoba should prepare a detailed report prior to the Board's next triennial review, which demonstrates how the Employment and Income Assistance (EIA) stakeholder communication efforts regarding cheque cashing have impacted participants.
4. The Province of Manitoba should expand opportunities for rural Manitobans to access low cost government issued identification.
5. The Province of Manitoba should create an outreach program regarding low cost government issued identification for Manitobans domiciled outside of the capitol region, and report to the Minister on its effectiveness, within 12-months of its deployment.
6. The Province of Manitoba should actively promote the MPI Identification Card to all EIA participants and continue to provide funding to participants to obtain this identification card.
7. The Province of Manitoba should continue to proactively promote the direct deposit of social assistance cheques in order to further increase the percentage of recipients' use of this mechanism.
8. The Province of Manitoba should mandate that all businesses domiciled in Manitoba cashing government cheques be required to post the regulated cheque cashing rates set by the Board.
9. The Province of Manitoba should create a robust compliance monitoring and sanctioning program in order to ensure that rates set by the Board are being adhered to and, if not, that appropriate penalties be assessed. Additionally, a public report on compliance and sanctioning initiatives should be provided to the Minister of Finance on an annual basis.

10. The Province of Manitoba should mandate that periodic inserts be included with government cheques involving promotion materials pertaining to:
 - a. the direct deposit option;
 - b. the low fee accounts offered by financial institutions; and
 - c. MPI's free identification card for eligible applicants.
11. The Province of Manitoba should mandate the Consumer Protection Office to conduct research to determine whether *The Consumer Protection Act* should apply to other types of cheques, and include the research findings and its recommendations in its next triennial report.
12. The Government of Manitoba should undertake research into the risks, costs and effects of extending *The Consumer Protection Act's* cheque cashing provisions to other types of cheques than government cheques.
13. The Government of Manitoba should continue to fund programs that assist community members to obtain government issued identification and improve their financial literacy.
14. The list of government agencies whose cheques are subject to the maximum fees set by the Board should be expanded to include:
 - a. All agencies included within the Summary Accounts of the Province of Manitoba; and
 - b. Municipal governments.

The Government accepted the Board's recommendations.

PUB waits to see if it will receive a request from the Minister responsible later this year to review the maximum fees for cashing government cheques next year and issue recommendations to the Minister.

PUB GOVERNANCE AND ADMINISTRATION

Board's Rules of Practice and Procedure

PUB adheres to relevant legislation and its Rules of Practice and Procedure:

http://www.pubmanitoba.ca/v1/pdf/pandp/rules_pandp_mar07.pdf

This framework provides assurance and guidance to regulated utilities, interveners, Members of the Legislative Assembly, government, and other interested parties about PUB's management of its processes.

PUB Members, Employees and Advisors

The Public Utilities Board Act specifies a minimum complement of three members, including a full-time Chair who is also the Chief Executive Officer, but does not specify the maximum number of members. All appointees serve at the pleasure of the Lieutenant-Governor. With the exception of the full-time Chair, all members are part-time and receive the prescribed remuneration for their services.

Members are subject to the PUB's Code of Conduct:

http://www.pubmanitoba.ca/v1/pdf/misc/members_code-2011.pdf

Members complete a conflict of interest declaration every year.

Members of the Board as at March 31, 2019:

Robert Gabor, Q.C., B.A., LLB, Chair

Marilyn Kapitany, B.Sc. (Hons), M.Sc., Vice-Chair

Hugh Grant, Ph.D. (Economics)

Larry Ring, Q.C., B.A., LLB

Carol Hainsworth, C.B.A.

Susan Nemec, FCPA, FCA

Sharon McKay, B.GS

Shawn McCutcheon

Robert Vandewater, B.A., FCSI, CPA (Hons), CA (Hons), KStJ, CD

Michael Watson

Irene Hamilton, Q.C., B.A., LLB

A brief biography of the members is available on the PUB's website at:

<http://www.pubmanitoba.ca/v1/about-pub/faq/members.html>

PUB Employees as at March 31, 2019

Darren Christle, PhD., CCLP, P. Log., MCIT, Secretary and Executive Director

Kurt Simonsen, BSc (Engineering), M.N.R.M., Associate Secretary

Diana Villegas, Acting Administrative Officer

Rachel McMillin, Assistant Associate Secretary

Kristen Schubert, Acting Judicial Hearing Assistant

Angela Wilde, Executive Coordinator to the Chair/Acting Office Manager

Marjorie Ostrander, Receptionist

Denise Carriere, Acting Administrative Officer

Frederick Mykytyshyn, B. Com. (Hons), Assistant Associate Secretary

Advisors

Under *The Public Utilities Board Act*, PUB has the authority to retain advisors to assist in fulfilling its obligations.

PUB relies on expert advisors from the fields of accounting, actuarial science, engineering and law. Its regular advisors as at March 31, 2019 were:

Accounting Roger Cathcart, Cathcart Advisors Inc.
 Curtis Batten, Cathcart Advisors Inc.

Actuarial Science Brian Pelly, Eckler Partners LLP

Engineering Brady Ryall, Ryall Engineering Ltd.
 David Bonin, Ryall Engineering Ltd.

Legal Robert Peters, Fillmore Riley LLP
 Dayna Steinfeld, Fillmore Riley LLP
 Kathleen McCandless, Pitblado LLP
 Robert Watchman, Pitblado LLP

PUB advisors are subject to and paid in accordance with the Board's Policy and Billing Rates for Advisory Services.

FINANCIAL INFORMATION

Public Utilities Board
Statement of Revenues and Expenditures
As of March 31, 2019

	<u>2018-19</u> (\$000's)	<u>2017-18</u> (\$000's)
Sources of funding		
Appropriation	\$1,581	\$ 1,564
	\$1,581	\$ 1,564
Expenditures		
Salaries & Per Diems	\$ 942	\$ 921
Rate Regulation and Safety Related Costs	\$ 0	\$ 0
General Overheads (rent, technology, utilities, etc.)	\$ 411	\$ 464
	\$1,353	\$ 1,385
Excess (Shortfall) of Revenues Over Expenses ¹	\$(228)	\$ 179

Net Government Funding of PUB				
Appropriation Spent by PUB ¹	\$ 1,353		\$ 1,385	
Fees Collected by PUB ²	\$ 827		\$ 827	
Net Government Funding to the PUB		\$ 526		\$ 558
¹ PUB fees are paid by utilities and licensees into the Consolidated Revenue Fund via the Minister of Finance. Expenses of the PUB are paid out of the departmental appropriation.				
² Unspent appropriated funds are not accumulated in PUB reserves.				

SUMMARY OF PUB ACTIVITIES

Licences Issued

2018-19

	2018-19	2017-18
Direct Purchase of Natural Gas		
Brokers	9	9
<i>The Prearranged Funeral Services Act</i>		
Licences	N/A	23
Total Licenses Issued	9	32

Orders Issued

2018-19

	2018-19		2017-18	
Regulated Industry Orders				
Water and Sewer Utilities				
Applications for rates	29		25	
Applications to address deficits	26		11	
Applications to address rates and deficits	5		7	
Review and Vary decisions	4		6	
Miscellaneous, including complaints	<u>4</u>	68	<u>14</u>	63
Manitoba Hydro				
Electricity operations	71		66	
Centra Gas Manitoba Inc.	<u>9</u>	80	<u>5</u>	71
Natural Gas and Propane Utilities and Pipelines				
Stittco Utilities Man Ltd.	5		6	
Pipeline gas safety	<u>0</u>	5	<u>0</u>	6
Manitoba Public Insurance	10		11	
<i>The Highways Protection Act</i>	4		2	
Fees for cashing Government Cheques	0		0	
Maximum Charges for Payday Loans	0		0	
Orders made of PUB's own motion	<u>0</u>	14	<u>1</u>	14
Total number of Orders issued		<u>167</u>		<u>154</u>

Note: Copies of the decisions of The Public Utilities Board of Manitoba are available from PUB's office upon request, and are posted on PUB's website (<http://www.pubmanitoba.ca/v1/proceedings-decisions/orders/index.html>). The Orders indicated above include Orders related to applications for costs by interveners in PUB's processes.

A summary of Board Orders issued in 2018/19 is listed in the table below.