

The Public Utilities Board

**Annual Report
2013-2014**





March 31, 2014

The Honourable Ron Lemieux
Minister of Tourism, Culture, Heritage, Sport and Consumer Protection
319 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister Lemieux:

Reference: 2013-14 Annual Report, The Public Utilities Board

Pursuant to the provisions of Section 109(1) of *The Public Utilities Board Act*, and on behalf of my fellow Board members, I am pleased to convey to you the Public Utilities Board's (Board) Annual Report for the year ended March 31, 2014. The year under review was the Board's 101st year of service to Manitoba.

A staff of seven employees and a roster of Board advisors support the Board. I am grateful for their ongoing and dedicated assistance.

The work of the Board was also supported by the regulated entities and the approved interveners. Various individuals also appeared before the Board during its various proceedings, either as witnesses, experts or presenters.

Because of those various contributions, the Board achieved the results outlined in this report.

Finally, thank you, Mr. Minister, for your support of the Board's work.

Sincerely,

A handwritten signature in black ink that reads "R. Gosselin". The signature is written in a cursive, slightly slanted style.

Régis Gosselin
Chair



Le 31 mars 2014

M. Ron Lemieux
Ministre de la Tourisme, Culture, Héritage, Sport et Protection des consommateurs
Palais législatif, bureau 319
Winnipeg (Manitoba)
R3C 0V8

Monsieur le Ministre,

Objet : Rapport annuel 2013-14, Régie des services publics

Conformément aux dispositions du paragraphe 109(1) de la *Loi sur la Régie des services publics*, j'ai le privilège de vous présenter, de la part des membres de la Régie, le rapport annuel de la Régie des services publics pour l'exercice qui s'est terminé le 31 mars 2014. L'exercice visé par le rapport constituait la 101^e année de service de la Régie au Manitoba.

Les membres à temps partiel de la Régie et son président à temps plein ont été assistés par sept employés et une équipe composée d'avocats et de conseillers de la Régie. Je les remercie pour leur appui. Cet appui a fait en sorte que la Régie a accompli les résultats énumérés dans ce rapport.

Je remercie les fournisseurs et intervenants qui ont collaboré au travail de la Régie.

Je vous prie d'agréer, Monsieur le ministre, mes sincères salutations.

Le président,

Régis Gosselin

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Chair's Report
Review of Board Proceedings
For the Year Ended March 31, 2014

Highlights

During 2012-13, the Board initiated a strategic planning process. Various stakeholders, including intervenors of record, utilities, and the Association of Manitoba Municipalities, were consulted. In May 2013, the Board approved its 2013-2017 strategic plan.

The plan has four strategic priorities:

- Effective communications and relationships;
- Excellence in the provision of regulatory decisions;
- Efficient internal operations; and
- PUB 2020

During the reporting period, the Board's priorities included:

- The Review of Manitoba Hydro's preferred development plan
 - This was the top priority and occupied a considerable amount of Board resources.
- Continued progress on outstanding water and sewer applications.
 - Progress was made on reducing the outstanding applications; the number was reduced year over year.
- Consideration of interim rate setting to smooth work volumes.
 - Interim rates were approved for electricity, effective May 1, 2014, while the PUB was addressing the review of Manitoba Hydro's preferred development plan.
- Progress with technology solutions to streamline operations.
 - The Manitoba government provided additional funding that allowed improvement to the PUB's hearing room sound system and the digitizing of documents for use and reading by participants and intervenors during hearings; the efficiency of hearings was greatly improved.
- The development of a communications strategy which will include two meetings annually with Association of Manitoba Municipalities (AMM).
 - While the strategy was not developed, the Board met with representatives of the AMM.
- A succession plan for senior PUB staff.
 - A plan was developed and implemented.

Board decisions relating to the rate applications of the major utilities, address a variety of utility specific issues, but there have been some common ones:

- The steady increase in operating and maintenance expenses, related in part to increasing employee levels, and investments in infrastructure;
- Given that they are monopoly service providers and not subject to competition, the importance of benchmarking operating results in order to evaluate the utility's performance from year to year and relative to utilities providing similar services in other jurisdictions.
- Accounting standards for utilities are in continuous evolution. International Financial Reporting Standards, for example, are impacting rate regulated utilities such as Manitoba Hydro and Centra Gas. The Board has extensively examined the accounting changes and their impact on rates.
- Municipal water and sewer rates do not always reflect the true cost of providing the services; the Board has made it a priority to correct this situation by ensuring that costs are properly accounted for, rate increases are timely and encouraging municipalities not to subsidize rates via tax revenues.

Board decisions relating to Manitoba Hydro and Centra Gas:

- Focused on energy efficiency and improved customer awareness of energy efficiency programs and the savings that can be achieved by insulation and furnace upgrades.
- Highlighted the need to make related programs accessible to low income ratepayers as a means of mitigating the impact of future rate increases.
- The Board directed Manitoba Hydro to maintain its energy efficiency spending at specific targeted levels and, if the budgeted amounts were unspent, to accumulate the unspent monies in a deferral account to support future spending.
- The Board recommended that Manitoba Hydro undertake an independent assessment of its Power Smart Plan with a goal of evaluating and improving it.

The Board urged Manitoba Hydro:

- To incorporate Demand-Side Management programs that target higher levels of energy efficiency; and
- To continue or increase its efforts in implementing the Lower Income Energy Efficiency Program, as increasing energy prices will place a significant burden on low-income individuals.

The Board directed Centra Gas:

- To the extent that its spending on Demand-Side Management in the Test Year, including the Affordable Energy Fund and the Lower Income Energy Efficiency Program, is below \$19.3 million, to establish a deferral account for the unspent funds, with its disposition to be considered at the next General Rate Application;
- To decrease the co-payment required of customers to access the Furnace Replacement Program from \$19 per month to \$9.50 per month; and
- To develop the terms of reference for an external review of the Lower Income Energy Efficiency Program by September 30, 2013.

The Board recommended to Centra that it:

- Increase the education and advertising of its Power Smart programs and re-assess its cost-effectiveness tests and hurdles in order to make more energy saving measures available to consumers; and
- Undertake targeted advertising of the merits of different heating fuels, including targeting gas-available areas outside of Winnipeg where the penetration of gas space heating is less than 50% of new homes.

The Board was particularly attentive to safety issues. This focus encompassed the services provided by Centra Gas and the road safety expenditures made by Manitoba Public Insurance.

Infrastructure renewal is an ongoing priority for Manitoba. Manitoba Hydro's plans encompass significant infrastructure expenditures over the next decade; the Board closely examined those plans. Many water and sewer utilities suffer from an infrastructure deficit; rate decisions addressed this problem. MPI has invested significant monies in its computer systems and its software; this has been the focus of close examination by the Board.

Reserve or equity levels of Manitoba Hydro, MPI and water and sewer utilities have been a preoccupation of the Board and this is reflected in its decisions. Reserves or equity, if at adequate levels, allow utilities to mitigate the impact of unexpected expenditures or cope with deficits stemming from changing economic conditions. In Manitoba Hydro's case, risks include inclement weather, such as drought, and infrastructure damage or equipment failure. In the case of water and sewer utilities, the major risk involves expensive repairs because of system breakdowns. MPI is at risk from inclement weather, interest rate and stock market fluctuations.

Under the *PUB Act*, the Board may be assigned duties by the Lieutenant Governor in Council. On November 15, 2012 the Minister of Innovation, Energy, and Mines announced that the Board was being asked to conduct the Need for and Alternatives To (NFAT) Review of Manitoba Hydro's plan to build the Keeyask and Conawapa generating stations, their associated transmission facilities. The terms of reference for the NFAT were issued on April 17, 2013. The Review required the Board to marshal extensive resources so as to be able to complete its report by the specified deadline of June 20, 2014. The deadline and the scope of the Review severely tested all of the participating parties.

On December 18, 2013 Rick Bel and Hugh Grant were appointed as members to serve on the Board's NFAT panel; their terms will end when the panel's duties are completed. Neil Duboff and Al Morin were also appointed on the same date. In December 2013, Raymond Lafond resigned as a member.

During the year ended March 31, 2014, the Board held oral public hearings with respect to:

- The NFAT Review; the hearing was completed after March 31, 2014.
- Centra Gas Inc.'s general rate application of its proposed 2013/14 rates, its first General Rate Application since 2009.
 - The Board approved a general revenue increase of approximately 1% sufficient to allow Centra to earn \$3 million of annualized Net Income.
- Manitoba Public Insurance (MPI) rate application for 2014-15 rates:
 - The Board ordered an overall 0.9% rate increase in compulsory Motor Vehicle Premiums for the 2014/15 insurance year, effective March 1, 2014 for all major classes combined, not the 1.8% increase sought by MPI.
- Appeals of Highway Traffic Board decisions related to highway access and signage decisions:
 - Two appeals were heard.
- The Board did not hold any oral public hearings related to water and sewer applications.

Pursuant to *The Consumer Protection Act* (Manitoba), the Board conducted a Review, including public consultations, of specific aspects of amounts charged to consumers to obtain payday loans. It made a report to the Government of Manitoba (Government) that provided the Board's recommendations within six months of commencing the Review.

The Consumer Protection Act (Manitoba) mandates the Board to set the maximum amount, or to establish a rate, formula or tariff, for cashing or negotiating a government cheque. After an ex-parte process, the Board decided not to change the rate that it had previously set in 2010.

Numerous ex-parte paper reviews of rate applications made by various entities were completed. For example, most applications for water and sewer rates were approved using this abbreviated process.

Numerous rate applications approved by the Board are based on preset formulas for calculating rates; Manitoba Hydro's weekly surplus energy rates and Centra Gas' quarterly commodity rates are determined this way.

The Board also issued a number of procedural Orders that addressed the proceedings before the Board (see the following Orders: 67/13, 91/13, 92/13, 127/13 and 147/13).

Applications may be made requesting that the Board review and vary its decisions. Three of its Orders addressed such applications; one application was successful (see Order 29/14). Board decisions may be appealed to the Manitoba Court of Appeal. During 2013-14, two appeals were initiated but subsequently withdrawn.

In summary, the Board issued 158 Orders and 225 licences (2012-13: 168 Orders and 203 licences). As well, the Board provided Reports on Payday Loans and Cheque Cashing to the Minister.

The PUB's website www.pub.gov.mb.ca provides extensive documentation about the Board's work. All Orders issued during the reporting period are available on the website.

The timeliness of Board water and sewer orders had deteriorated following changes to Generally Accepted Accounting Principles for municipal water and sewer utilities. By increasing its staff, the Board was able to significantly improve the timeliness of Orders during 2012-13 and 2013-2014 and also reduce the backlog of applications for Board review.

The Board has completely revamped its rate application guidelines for water and sewer rate applications. Municipalities were consulted on the changes. They were issued and are expected to assist in the preparation of applications submitted to the Board, thereby accelerating Board decisions.

The Board also revamped the gas marketer regulatory framework documents, including its code of conduct, made revisions and, in March 2014, sent to stakeholders for comments.

The Board continues to explore ways and means to improve regulatory cost effectiveness, public awareness and consumer involvement.

The Board spent a total of \$1.351 million to support its operations out of total allocated funding of \$1.35 million, higher than the \$1.117 million spent the previous fiscal year. This increase is due, in part, to the costs incurred to complete the review of pay day loans, and costs related to the setting of rates for the cashing of government cheques.

The Board's aggregate operating costs (which include the Board's costs funded by government and those paid by the major utilities, such as the costs of Board advisors) totaled \$11.488 million compared to \$3.499 million during 2012-13. This very significant increase was due to the cost of the NFAT Review undertaken by the Board; those increased costs were paid by Manitoba Hydro.

A Star Group LLC (Limited Liability Company) a New York company (A Star) filed a complaint (claim) against the PUB and other parties on June 29, 2013 in the Southern District Court of New York that made various allegations and sought numerous remedies, including damages from the PUB. A Star had provided risk consulting services under a series of contracts with Manitoba Hydro from 2004-2008. In carrying out its mandate respecting Manitoba Hydro's risks and rate impacts, the PUB agreed to receive, subject to confidentiality conditions, reports from A Star that had been prepared for Manitoba Hydro. The PUB retained counsel to represent it before the Court. The PUB sought dismissal of the claim for a number of reasons. Various matters were addressed by the Court in relation to the complaint during the reporting period. (On June 30, 2014 the Southern District Court of New York granted the motions by PUB and the other parties and dismissed the A Star law suit, with prejudice.)

Rapport du président
Examen des audiences tenues par la Régie
pendant l'exercice qui s'est terminé le 31 mars 2014

Faits saillants

En 2012-2013, la Régie a adopté un processus de planification stratégique. Diverses parties concernées, dont des intervenants officiels, des services publics et l'Association des municipalités du Manitoba, ont été consultées. En mai 2013, la Régie a approuvé son plan stratégique de 2013-2017.

Le plan a quatre priorités stratégiques :

- des communications et des relations efficaces
- l'excellence dans la provision des décisions réglementaires
- des activités internes efficaces
- la Régie des services publics 2020

Pendant la période visée par le Rapport, les priorités de la Régie incluaient les suivantes :

- Évaluer le plan de développement privilégié de Manitoba Hydro
 - Il s'agissait de la principale priorité qui prenait une quantité considérable de ressources de la Régie.
- Réaliser des progrès soutenus dans les demandes de services d'eau et d'égouts en cours
 - Des progrès ont été réalisés dans la réduction des demandes en cours; le nombre a été réduit d'année en année.
- Prendre en considération l'établissement de tarifs provisoires pour faciliter les volumes de travail
 - Les tarifs provisoires ont été approuvés pour l'électricité, à compter du 1^{er} mai 2014, alors que la Régie examinait le plan de développement privilégié de Manitoba Hydro.
- Réaliser des progrès dans les solutions technologiques visant à simplifier les activités
 - Le gouvernement du Manitoba a fourni un financement supplémentaire qui a permis d'améliorer le système sonore de la salle d'audience de la Régie et de numériser les documents utilisés et lus par les participants et les intervenants pendant les audiences. Cela a permis d'améliorer grandement l'efficacité des audiences.
- Élaborer une stratégie de communication comprenant deux réunions annuelles avec l'Association des municipalités du Manitoba
 - Bien que la stratégie ne fût pas élaborée, la Régie a rencontré les représentants de l'Association.
- Élaborer un plan de relève pour les cadres supérieurs de la Régie
 - Un plan a été élaboré et mis en œuvre.

Les décisions de la Régie quant aux demandes d'approbation des tarifs des principaux services publics, répondent à diverses questions propres aux services publics. Toutefois, il y a eu aussi quelques questions courantes :

- L'augmentation soutenue des dépenses de fonctionnement et d'entretien, liées en partie à l'augmentation de niveaux des employés, ainsi que des investissements dans l'infrastructure.
- Étant donné qu'il s'agit de fournisseurs de services monopoles non soumis à la concurrence, l'importance de l'analyse comparative des résultats d'exploitation en vue d'évaluer le rendement des services publics d'une année à l'autre et par rapport à ceux fournissant des services similaires dans d'autres provinces ou territoires.
- Les principes comptables pour les services publics sont en constante évolution. Les Normes internationales d'information financière, par exemple, ont une incidence sur les services publics à tarifs réglementés comme Manitoba Hydro et Centra Gas. La Régie a examiné en détail les modifications comptables et leurs effets sur les tarifs.
- Les tarifs municipaux des services d'eau et d'égouts ne reflètent pas toujours le coût réel de la prestation des services; la Régie s'est donné comme priorité de corriger cette situation en s'assurant que les coûts sont bien comptabilisés et que les augmentations de tarifs sont en temps opportun, et en encourageant les municipalités à ne pas subventionner les tarifs au moyen des recettes fiscales.

En ce qui concerne Manitoba Hydro et Centra Gas, la Régie a décidé :

- de mettre l'accent sur l'efficacité énergétique et une plus grande sensibilisation des abonnés aux programmes d'efficacité énergétique et aux économies obtenues grâce à la modernisation des matériaux isolants et des appareils de chauffage;
- d'insister sur la nécessité de rendre les programmes connexes accessibles aux contribuables à faible revenu pour réduire les effets des futures augmentations de tarifs;
- de demander à Manitoba Hydro de maintenir ses dépenses liées à l'efficacité énergétique à des niveaux ciblés précis et, si les montants prévus au budget n'étaient pas dépensés, d'accumuler ces derniers dans un compte de report pour financer les dépenses à venir;
- de recommander à Manitoba Hydro d'entreprendre une évaluation indépendante de son programme Éconergique dans le but de l'évaluer et de l'améliorer.

La Régie a vivement encouragé Manitoba Hydro :

- à inclure des programmes de gestion de la demande qui ciblent des niveaux d'efficacité énergétique plus élevés;
- à poursuivre ou à accroître ses efforts de mise en œuvre du Programme d'efficacité énergétique pour personnes à faible revenu, car l'augmentation des prix de l'énergie placera un fardeau considérable sur ces personnes.

La Régie a demandé à Centra Gas :

- d'établir un compte de report pour les montants non dépensés, dont le règlement sera considéré au moment de la prochaine demande d'approbation générale des tarifs, dans la mesure où ses dépenses liées à la gestion de la demande au cours de l'année de référence, notamment le Fonds de limitation du prix de l'énergie et le Programme d'efficacité énergétique pour personnes à faible revenu, sont inférieures à 19,3 millions de dollars;
- de réduire de 19 \$ à 9,50 \$ par mois la quote-part que les abonnés sont tenus de verser pour avoir accès au programme de remplacement des chaudières;
- d'élaborer des paramètres pour un examen externe du Programme d'efficacité énergétique pour personnes à faible revenu d'ici le 30 septembre 2013.

La Régie a recommandé à Centra :

- d'augmenter la sensibilisation et la promotion de ses programmes Éconergiques et de réévaluer ses tests de rentabilité et les obstacles auxquels elle fait face en la matière afin d'offrir à ses abonnés davantage de mesures d'économie d'énergie;
- de réaliser des publicités ciblées sur les mérites des divers carburants de chauffage, notamment en ciblant les régions à l'extérieur de Winnipeg dans lesquelles on a accès au gaz et où l'utilisation du gaz pour le chauffage des locaux a lieu dans moins de la moitié des nouvelles maisons.

La Régie a porté une attention particulière aux questions de sécurité. Elle a examiné en particulier les services de Centra Gas ainsi que les dépenses en matière de sécurité routière de la Société d'assurance publique du Manitoba.

Le renouvellement de l'infrastructure est une priorité continue du Manitoba. Les plans de Manitoba Hydro englobent des dépenses d'infrastructure considérables au cours de la prochaine décennie; la Régie a examiné ces plans de près. De nombreux services d'eau et d'égouts ont subi un déficit en matière d'infrastructure; les décisions concernant les tarifs ont permis de régler ce problème. La Société d'assurance publique du Manitoba a investi des sommes considérables dans ses systèmes informatiques et ses logiciels; la Régie y a prêté une attention particulière.

Les niveaux de réserve et de capitaux de Manitoba Hydro, de la Société d'assurance publique du Manitoba et des services publics d'eau et d'égouts ont été des sujets de préoccupation pour la Régie, et cela se reflète dans ses décisions. Les réserves ou les capitaux, s'ils sont à des niveaux adéquats, permettent aux services publics de diminuer les effets des dépenses imprévues ou de faire face aux déficits découlant de conditions économiques changeantes. Dans le cas de Manitoba Hydro, les risques incluent les conditions météorologiques défavorables comme la sécheresse, ainsi que les dommages causés à l'infrastructure ou les pannes de matériel. En ce qui concerne les services publics d'eau et d'égouts, les réparations coûteuses en raison des pannes de système représentent le risque le plus important. La Société d'assurance publique du Manitoba est exposée aux risques que posent les conditions météorologiques défavorables, les taux d'intérêt et les fluctuations des cours sur le marché boursier.

En vertu de la *Loi sur la Régie des services publics*, le lieutenant-gouverneur en conseil peut assigner des fonctions à la Régie. Le 15 novembre 2012, le ministre de l'Innovation, de l'Énergie et des Mines a annoncé que la Régie était invitée à réaliser une évaluation des besoins et des solutions de rechange du plan de développement de Manitoba Hydro en vue de construire les centrales hydroélectriques de Conawapa et de Keeyask, leurs installations de transmission d'hydroélectricité connexes. Le cadre de référence de l'évaluation a été établi le 17 avril 2013. L'évaluation exigeait que la Régie rassemble de nombreuses ressources afin de pouvoir produire son rapport d'ici la date précise du 20 juin 2014. La date limite et la portée de l'évaluation ont durement mis à l'épreuve toutes les parties participantes.

Le 18 décembre 2013, Rick Bel et Hugh Grant ont été nommés membres du comité chargé de l'évaluation des besoins et des solutions de rechange de la Régie; leur mandat se terminera lorsque les fonctions du comité s'achèveront. Neil Duboff et Al Morin ont également été nommés à cette date. En décembre 2013, Raymond Lafond a démissionné du comité.

Au cours de l'exercice terminé le 31 mars 2014, la Régie a tenu des audiences publiques concernant :

- L'évaluation des besoins et des solutions de rechange; l'audience s'est terminée après le 31 mars 2014
- La demande d'approbation générale des tarifs de Centra Gas Inc. pour ses tarifs de 2013-2014 proposés, sa première demande depuis 2009
 - La Régie a approuvé une augmentation des recettes générales d'environ 1 %, suffisamment pour permettre à Centra Gas de gagner un revenu net annualisé de 3 millions de dollars.
- La demande d'approbation des tarifs de 2014-2015 de la Société d'assurance publique du Manitoba
 - La Régie a ordonné une augmentation générale des tarifs de 0,9 % en ce qui concerne les primes d'assurance-automobile obligatoire pour l'année d'assurance 2014-2015, à compter du 1^{er} mars 2014 pour toutes les catégories combinées de véhicules à grande utilisation, et non l'augmentation de 1,8 % demandée par la Société d'assurance publique du Manitoba.
- Les appels des décisions du Conseil routier relatives aux accès routiers et aux panneaux de signalisation
 - Deux appels ont été entendus.
- la Régie n'a pas tenu d'audiences publiques orales liées à des demandes d'approbation des tarifs des services d'eau et d'égouts.

Conformément à la *Loi sur la protection du consommateur* (Manitoba), la Régie a procédé à un examen, notamment des consultations publiques, de certains aspects précis des montants que les consommateurs doivent payer pour obtenir des prêts de dépannage. Dans les six mois suivant le début de l'examen, la Régie a présenté un rapport au gouvernement du Manitoba (le gouvernement) faisant état de ses recommandations.

La *Loi sur la protection du consommateur* (Manitoba) donne mandat à la Régie de fixer un montant maximal, ou d'établir un barème, une formule ou un tarif, pour l'encaissement ou la négociation d'un chèque du gouvernement. Après un processus *ex parte*, la Régie a décidé de ne pas modifier le tarif qu'elle avait fixé auparavant en 2010.

De nombreux examens de dossiers relativement à des demandes d'approbation de tarifs présentées par diverses entités ont été terminés. Par exemple, la plupart des demandes d'approbation des tarifs d'eau et d'égouts ont été approuvées grâce à ce processus abrégé.

Plusieurs demandes d'approbation des tarifs approuvées par la Régie sont fondées sur des formules préétablies de calcul tarifaire; les tarifs hebdomadaires d'énergie excédentaire de Manitoba Hydro et les tarifs de gaz trimestriels de Centra Gas sont déterminés de cette manière.

La Régie a rendu également un certain nombre d'ordonnances de procédure concernant les instances dont elle est saisie (voir les ordonnances suivantes : 67/13, 91/13, 92/13, 127/13 et 147/13).

Il est possible de présenter des demandes à la Régie pour qu'elle révise et modifie ses décisions. Trois de ces ordonnances concernaient ce type de demandes; l'une d'elles a été acceptée (voir l'ordonnance 29/14). Les décisions de la Régie peuvent faire l'objet d'un appel auprès de la Cour d'appel du Manitoba. En 2013-2014, deux appels ont été interjetés, mais retirés par la suite.

En résumé, la Régie a rendu 158 ordonnances et accordé 225 licences (en 2012-2013, 168 ordonnances et 203 licences). Également, la Régie a fourni au ministre des rapports sur les encaissements de chèques et les prêts de dépannage.

La Régie fournit une documentation complète sur ses travaux sur son site Web (www.pub.gov.mb.ca/index.fr.html). Toutes les ordonnances rendues au cours de la période visée sont affichées sur le site Web.

Les délais des ordonnances de la Régie relatives aux services d'eau et d'égouts s'étaient détériorés à la suite des changements apportés aux principes comptables généralement reconnus pour les services municipaux d'eau et d'égouts. En augmentant son personnel, la Régie a été en mesure d'améliorer considérablement les délais des ordonnances au cours des exercices 2012-2013 et 2013-2014, et de réduire également les retards pris dans les demandes qui lui sont soumises pour examen.

La Régie a complètement remanié ses lignes directrices relatives aux demandes d'approbation des tarifs des services d'eau et d'égouts. Elle a consulté les municipalités à ce sujet. Les lignes directrices ont été publiées et devraient aider à préparer les demandes soumises à la Régie, ce qui accélérera la prise des décisions de cette dernière.

La Régie a également remanié les documents sur le cadre réglementaire pour les courtiers en gaz, notamment le code de déontologie, apporté les révisions nécessaires et demandé aux intervenants, en mars 2014, de lui faire parvenir leurs commentaires.

La Régie continuera d'étudier les méthodes et moyens à employer pour améliorer la rentabilité du processus de réglementation ainsi que la sensibilisation du public et la participation des consommateurs au processus.

Pour appuyer ses activités, la Régie a dépensé un total de 1,351 million de dollars du financement de 1,35 million de dollars attribué au total, soit un montant plus élevé que celui de 1,117 million de dollars dépensé l'exercice précédent. Cette augmentation est due, en partie, aux frais engagés pour procéder à l'évaluation des prêts de dépannage et aux frais relatifs à l'établissement des taux pour l'encaissement des chèques du gouvernement.

Les frais de fonctionnement totaux de la Régie (incluant les frais de la Régie financés par le gouvernement et ceux payés par les principaux services publics, tels que les frais des conseillers de la Régie) ont totalisé 11,488 millions de dollars par rapport aux frais de 3,499 millions de dollars au cours de 2013-2013. Cette augmentation très importante est attribuable aux coûts de l'évaluation des besoins et des solutions de rechange entreprise par la Régie; ces coûts plus élevés ont été payés par Manitoba Hydro.

A Star Group LLC (la société A Star), une société à responsabilité limitée de New York, a déposé une plainte faisant diverses allégations et réclamant de nombreux recours, dont des dommages-intérêts, contre la Régie des services publics et d'autres parties, le 29 juin 2013, au tribunal de district sud de New York. La société A Star avait fourni des services de conseils en gestion du risque en vertu d'une série de contrats avec Manitoba Hydro de 2004 à 2008. En remplissant son mandat quant aux incidences des risques et des tarifs de Manitoba Hydro, la Régie a consenti à recevoir, sous réserve de certaines conditions en matière de confidentialité, des rapports de la société A Star préparés pour Manitoba Hydro. La Régie a retenu les services d'un avocat pour la représenter devant le tribunal. La Régie a cherché à obtenir le rejet de la plainte pour plusieurs raisons. Le tribunal a traité diverses questions à l'égard de la plainte lors de la période visée. (Le 30 juin 2014, le tribunal du district sud de New York a accueilli les requêtes de la Régie et des autres parties, et a rejeté la plainte de la société A Star, avec dépens.

REGULATED UTILITIES

(i) Manitoba Hydro - Electricity

Manitoba Hydro is Manitoba's largest Crown Corporation, with annual revenues in excess of \$1.7 billion (as at March 31, 2013) and a staff complement of approximately 6,800, including Centra Gas employees.

Rate Applications

In Order 43/13, the Board approved a 3.5% increase in Manitoba Hydro consumers' billed rates effective May 1, 2013 (increase of 2% to general revenues and 1.5% to mitigate future rate increases when Bipole III comes into service). The Board expected the utility to realize internal cost savings in its operation, maintenance and administration costs so as to meet its net income projections.

The rate increase was to address:

- Reduced revenues from export sales;
- Higher operating costs related to the Wuskwatim Generating Station;
- Higher operation, maintenance and administration costs;
- Funding of capital expenditures undertaken to support the reliability of electrical service; and
- Manitoba Hydro's financial and credit rating integrity over the longer term.

Overall net export revenues projected by Manitoba Hydro, over a 20-year forecast have declined by over \$6 billion in the submitted forecast compared to its prior forecast presented at the previous General Rate Application. Lower than projected revenues generally result in reduced profitability and fewer funds to pay for capital expenditures.

The Wuskwatim Generation Station and transmission project came on-line in 2012/13 with a capital cost of \$1.8 billion, which was almost double the initial cost estimate. The incremental energy from Wuskwatim is sold on the opportunity market at prices that do not recoup the incremental costs related to the new dam, affecting Manitoba Hydro's overall profitability.

The Board is concerned with the projected future deterioration of Manitoba Hydro's financial targets. This deterioration will put Manitoba Hydro in a weaker financial position given its planned capital spending over the next decade.

Manitoba Hydro will significantly increase its capital spending over the next decade building additional generation and transmission as well as spending required to maintain aging infrastructure for reliability purposes.

In its application, MANITOBA HYDRO was forecasting electricity rates to more than double from the then current levels over the next 20 years at approximately twice the forecast level of inflation. The Board concluded that Manitoba Hydro should increase its energy conservation to assist consumers in reducing their energy consumption, thereby moderating the impact of projected rate increases. The rate increase granted by the Board directed that specific amounts be set aside to fund energy-savings programs.

The Board also finalized several other interim orders with respect to Manitoba Hydro rendered by the Board since the last General Rate Application.

Specific recommendations were made on a range of issues:

1. That Manitoba Hydro control operation, maintenance and administration costs to keep increases below inflation.
2. That Manitoba Hydro prepare a business case with a thorough analysis of the economic rationale for the rebuilding of Pointe du Bois (estimated to cost \$2.4 billion), and that the Board be mandated, by the Province of Manitoba, to conduct a Needs For And Alternatives To (NFAT) review before proceeding further.
3. That Manitoba Hydro undertake an independent assessment of its Power Smart Plan with the goal of evaluating and improving the plan.
4. That Manitoba Hydro increase its efforts with respect to the Lower Income Energy Efficiency Program, as low income individuals will find it more difficult to meet ever increasing energy rates contemplated in Manitoba Hydro's rate increase forecast.

Interim rates

On March 7, 2014, Manitoba Hydro applied to The Public Utilities Board (Board), for an interim electricity rate increase to all customer classes of 3.95% effective April 1, 2014, sufficient to generate additional revenue of approximately \$56 million in 2014/15.

Manitoba Hydro's Application paralleled Hydro's Integrated Financial Forecast IFF-13, which projected annual rate increases of 3.95% over the next 20-year time period.

Manitoba Hydro based its 3.95% Interim Rate Application on five principal reasons:

1. To avoid the potential for incurring financial losses on its electric operations;
2. To limit the extent to which financial ratios are projected to deteriorate;
3. To compensate for the fact that export prices continue to be significantly less than those experienced prior to the 2009/10 fiscal year;
4. To recognize that Manitoba Hydro's infrastructure is aging and that increased costs are necessary to maintain infrastructure in a safe and reliable manner; and
5. To provide customers with rate stability and predictability and to avoid the need for higher rates in the future.

The Board granted an interim rate increase of 2.75% effective May 1, 2014.

Weekly Surplus Energy Rate Program (SEP)

Manitoba Hydro's US 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. Opportunity export sales prices have fallen significantly since the onset of the recession in 2008, driven in part by reduced growth in industrial demand, and also by increased availability of shale gas.

Under the SEP, 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) US export sales. There are three different SEP options.

SEP energy prices are forecast by Manitoba Hydro on a weekly basis for each of the peak, off-peak, and shoulder time slots using US export sales prices and submitted to the PUB for approval. The PUB issues weekly interim *ex parte* SEP rate orders which generally are finalized as part of each GRA process.

The SEP was first approved by the 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.

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 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 three pricing periods are peak, shoulder and off-peak, which vary depending on the season.

In Order 11/12, the PUB issued an Order extending the SEP to March 31, 2014.

Manitoba Hydro filed an application seeking Board approval on a permanent basis of the SEP options. Board Order 43/13 approved options 2 and 3 on a permanent basis; option 1 continues to be an interim option.

Electrical Reliability

In Canada, electric reliability is largely under provincial jurisdiction. Most Canadian provinces have adopted mandatory reliability standards, but the mechanics of compliance may differ.

In 2009, Manitoba enacted *The Manitoba Hydro Amendment and Public Utilities Board Amendment Act (Electricity Reliability)* which amended *The Manitoba Hydro Act* and *The Public Utilities Board Act*. It allows for the implementation of a mandatory system of electric reliability standards and sanctions for violations of the mandatory standards. The Act came into force on April 1, 2012.

Manitoba reliability legislation amends *The Manitoba Hydro Act* to provide authority to make regulations to:

- adopt reliability standards made by North American Electric Reliability Corporation (NERC)/Midwest Reliability Organization (MRO) as standards for the interconnected grid in Manitoba,
- specify who must comply with adopted reliability standards
 - standards apply to Manitoba Hydro, wind farms, and large power users who are connected to the grid at 100 kV or higher,
- authorize a body to monitor compliance with the reliability standards
 - NERC and MRO are authorized as compliance monitoring bodies for Manitoba
- determine who pays fees related to the making and enforcement of reliability standards
 - Manitoba Hydro pays NERC/MRO annual fees

Under the reliability provisions of the PUB Act, the PUB has 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 NERC for consideration;
- (c) When requested by the Minister responsible for the PUB, give advice/recommendations about fees that Manitoba entities have to pay to the standards body or compliance body in relation to making or enforcing reliability standards.

Details of the implementation of reliability system are set out in regulations. Two regulations were enacted to implement the reliability framework:

- the Reliability Standards Regulation under *The Manitoba Hydro Act*
- the Monetary Penalty Payment Regulation under *The Public Utilities Board Act*

During 2013-14, the PUB did not exercise any of its powers related to electric reliability.

Needs For and Alternatives To (NFAT) review

Manitoba Hydro developed plans for significant new major capital expenditures, which included the building of the Keeyask and Conawapa generation stations, a major new transmission line from Northern Manitoba (Bipole III) and a new transmission line from the Riel substation near Winnipeg to a point near Duluth, Minnesota.

While enhancing service reliability, Manitoba Hydro's preferred development plan (PDP) would also allow increased exports (and increased imports in the case of a Manitoba drought). Manitoba Hydro was also seeking to increase its targeted energy efficiency savings in co-operation with its customers. Improvements in energy efficiency save energy, increase capacity for export sales, allow customers to reduce their bills and result in regional environmental gains through reduced energy consumption and carbon emissions.

To implement its PDP, Manitoba Hydro proposed to very significantly increase its borrowing, negatively affecting its Utility's debt/equity ratio (increasing debt at least until such time a new plant is in service). The PDP would also result in significant rate increases for a period of 20 years.

Pursuant to *The Public Utilities Board Act*, by Order in Council 128/2013 issued April 17, 2013, the Government of Manitoba formally assigned the conduct of the NFAT to the PUB. The Order also set out Review's Terms of Reference.

On June 11, 2013, the Panel issued Order 67/13 granting Intervener Status to the NFAT Review to five applicants:

- Consumers' Association of Canada (Manitoba) Inc. (CAC);
- Green Action Centre (GAC);
- Manitoba Industrial Power Users Group (MIPUG);
- Manitoba Keewatinowi Okimakanak Inc. (MKO); and
- Manitoba Métis Federation (MMF).

Four applicants were denied Intervener Status.

Manitoba Hydro held its first NFAT Technical Conference on June 15 and 17, 2013.

On August 9, 2013 the Panel issued two Orders. The first, Order 91/13, dismissed applications by Pimicikamak and the Manitoba Public Interest Research Group to review and vary Order 67/13, which had dismissed their applications for Intervener status. Order 92/13 addressed a number of procedural issues arising out of Order 67/13 and provided preliminary approval of Interveners' consultants and expert witnesses, and draft budgets.

On August 16, 2013 Manitoba Hydro filed its NFAT Business Case Submission.

During the month of August 2013, the Panel had engaged a number of Independent Expert Consultants to assist the Panel in the NFAT Review. In September 2013, their Scopes of Work were established.

A second Pre-Hearing Conference was held on September 4, 2013 followed by a second Technical Conference on September 5-6, 2013.

On September 30, 2013 the Panel held a hearing to deal with a motion made by Manitoba Hydro with respect to First Round Information Requests and issues raised by counsel for the independent expert consultants. Order 119/13 established a process to deal with Information Requests directed to Manitoba Hydro and issues raised by the Independent Expert Consultants. This Order was corrected a few weeks later by Order 126/13. On the same day, Order 127/13 addressed procedural matters arising from the September 4, 2013 Pre-Hearing Conference, and established a communications protocol for the Independent Expert Consultants.

On December 18, 2013, by Order in Council 472/2013, the Government of Manitoba appointed Dr. Hugh Grant and Mr. Richard Bel to the Public Utilities Board for the purpose of participating in the NFAT Review. They joined the Chair of the PUB, Régis Gosselin, Marilyn Kapitany and Larry Soldier as members of the NFAT panel.

The oral evidentiary phase of the NFAT Review hearings began on March 3, 2014.

On March 4, 2014, the Panel issued Order 22/14, which partially granted Manitoba Hydro's motion to strike portions of the evidence of Whitfield Russell Associates, an expert witness, provided on behalf of the Manitoba Métis Federation (MMF) on the grounds that the evidence was outside the scope of the Terms of Reference.

The Panel held a Presenters day in Winnipeg on February 27, 2014 to hear a number of organizations and individuals who wished to make their views about the PDP known to the Panel. During the course of the hearing, the Panel also heard presentations from different individuals and groups. As well the Panel travelled to Thompson to hear presentations.

The terms of reference issued by the Manitoba Government required the PUB's report to be submitted to the Minister responsible for the administration of *The Public Utilities Board Act* by June 20, 2014.

The report was submitted to the Minister on the stipulated date. The report is available at http://www.pub.gov.mb.ca/nfat/pdf/finalreport_pdp.pdf.

Organization of MISO States (OMS) Activities

The PUB is a member of the Board of the OMS. The OMS is an important source of independent information with respect to the Midcontinent Independent System Operator (MISO) market, the principal market for Manitoba Hydro export electricity. OMS deals mostly with issues that are specific to the US jurisdiction; as a result, extensive Board involvement is not required.

OMS officially expresses the views of member American state jurisdictions and Manitoba on issues related to electricity generation and transmission across state/province and national boundaries, for joint presentation to U.S. federal regulators and to MISO.

(ii) Centra Gas Manitoba Inc. (Centra)

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.

Centra primarily serves Winnipeg and southern Manitoba. The cost of pipeline development and maintenance is very high. Population density and industrial requirements are important to the economics of natural gas distribution. Expansion of Centra's distribution system has been limited to relatively minor extensions since Manitoba Hydro's acquisition. However, many franchise agreements were approved during the reporting period, partly in response to provincial regulatory changes regarding coal and petroleum coke. (See the report section entitled: Franchise Agreements).

The price of natural gas is set on continental energy markets based on supply and demand. Gas is purchased from Western Canadian and American 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 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.

Every quarter, Centra amends its primary gas rates based on its actual costs and its forecasts. The rates recover its commodity and transportation costs (with no mark-up), and its operating and financial costs. In addition, the utility's rates provide sufficient additional revenue to offset Manitoba Hydro's costs of acquiring Centra and to provide reasonable retained earnings to serve as a financial reserve.

Rate and Operational Reviews

Every quarter, the Board establishes Centra's primary gas rates pursuant to a Rate Setting Methodology (RSM) accepted by Centra and all interveners. The RSM determines rates based on actual and projected commodity costs. Orders were issued prior to every quarter (Orders issued: 40/13 for rates effective May 1, 2013; 85/13 for August 1, 2013; 123/13 for November 1, 2013; 6/14 for February 1) to reflect the evolution of gas prices and the changes in rate riders.

Hearings are usually held annually to review Centra's Cost of Gas, with the Board issuing orders in relation to its findings, recommendations and directives. The annual reviews supplement and finalize quarterly cost of gas reviews which lead to interim rate decisions, and deal with matters and costs concerning gas supply, transportation and storage.

Generally, once every two years Centra files a General Rate Application to deal with rates and matters not directly dealing with gas supply, transportation and storage (in short, 'non-gas' operating and administrative costs and matters). In these hearings, the Board and the Utility, assisted by interveners, also address affordable energy initiatives, specifically for low-income households.

In Order 85/13, the Board approved a general revenue increase of approximately 1% sufficient to earn \$3 million of annualized Net Income. This was approximately \$2.6 million less than the revenue increase sought by Centra. The Board also approved the cost consequences of Centra's recently concluded Primary Gas supply contract with ConocoPhillips.

The National Energy Board had approved new, lower tolls for firm annual capacity on TransCanada Pipelines' Mainline. Centra utilizes the Mainline to transport gas to Manitoba. Despite the lower firm transportation tolls which will reduce the cost of gas, there is increased uncertainty regarding short-term tolls and mechanisms to mitigate charges for unutilized capacity.

Because of the uncertainty, the Board approved Centra's gas cost forecast as filed and directed that Centra update the Board at the next Cost of Gas or General Rate Application proceeding regarding the evolution of short-term tolls and its cost mitigation efforts. The Board urged the National Energy Board to consider the impact on Manitoba ratepayers of its decisions in the then upcoming hearing in respect of TransCanada Pipelines tariff matters.

The Board also finalized several interim orders since the last General Rate Application relating to interim Primary Gas rate orders, franchise territory approvals, and crossing agreements with municipalities.

Purchase of Swan Valley Gas Corporation

On November 4, 2013, Centra applied to the Board for approval of the merger and consolidation of Swan Valley Gas' assets with the assets of Centra. The Board granted its approval on a conditional basis. (See the section entitled Swan Valley Gas Corporation.)

Franchise Agreements

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 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, is within the mandate of the Board. Accordingly, Centra applies to the Board for approval, renewal or extension of franchise agreements.

Extensions of Centra's service adjacent to current service areas occur from time to time. During the reporting period, the Board approved 13 franchise agreements. The increase is attributable in part to changes in the Province's regulatory policies for coal heating.

In 2013, the provincial government introduced North America's first petroleum coke and coal heating ban. Because coal burning is a significant contributor to climate change, Manitoba banned the use of coal for space heating.

Since the emissions tax on coal was announced in 2011 and the pending ban on coal heating was introduced, many small coal users decided to make the switch to alternatives. In many cases, the users have decided to use natural gas and invested funds to support the extension of gas supply to serve their needs, resulting in an increased number of franchise agreements for the Board's approval.

Service Disconnection

The Board has broad responsibilities with respect to the provision of natural gas in the Province, and as one of its mandates, the Board oversees Centra's service disconnections. Manitoba has a cold winter climate, and heat is critical to human health and welfare, particularly during the period from October through May.

The Board's disconnection policy allows Manitoba Hydro to place an electricity load limiter (which restricts electrical service) in cases where a customer's bill is delinquent. This policy provides for the Board's oversight of disconnections of both electric and natural gas service when natural gas service is in place.

Gas Safety

The Board monitors Centra's management of natural gas and propane pipeline safety in the Province under *The Gas Pipe Line Act*. The Board utilizes the services of an engineering advisor, Energy Consultants International Inc. (ECI), to assist in its monitoring.

The Board relies on a safety program (quarterly reporting, annual audits and other measures) to ensure that natural gas safety matters are properly and timely managed by Centra. Board and Centra staff meet quarterly, to discuss the safety program, review events and consider emerging issues.

(iii) Stittco Utilities Man Ltd. (Stittco)

Since the early 1960s, Stittco has provided pipeline propane gas to customers (now less than 1,000) in Thompson, Snow Lake and Flin Flon.

Stittco generally applies annually for an increase in its non-commodity rates which include distribution costs; 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.

The Board issued quarterly propane rate decisions: Order 41/13 effective May 1, Order 84/13 effective August 1, Order 124/13 effective Nov. 1 and Order 7/14 effective Feb. 1. Order 125/13, the annual decision for non-commodity costs, was issued effective November 1.

Propane gas costs are volatile, with wide variations in quarterly rates. Heating by propane is much more expensive than heating by way of electricity. The Board continues to recommend to propane consumers that they consider electricity as a source of heat.

iv) Swan Valley Gas Corporation (SVGC)

In March 2000, Swan Valley Gas, a wholly owned subsidiary of SaskEnergy Inc., applied to the Board to provide gas service to the Rural Municipalities of Swan River and Minitonas, the Town of Swan River, the Town of Minitonas, and the Village of Benito. The Board approved this request in December 2000. Swan Valley Gas serviced residential, commercial, and institutional (hospital, schools) customers in Benito, Swan River, and Minitonas.

Its anchor customer was Louisiana-Pacific Canada Ltd. ("Louisiana-Pacific") which operates an oriented strand board manufacturing plant in Minitonas. Louisiana-Pacific received approval from Manitoba Conservation in 2008 to cease operation of its gas-fueled regenerative thermal oxidizers, whose purpose was to reduce particulate emissions from combustion of wood waste and by-products. Consequently, Louisiana-Pacific ceased gas service from Swan Valley Gas but continued to pay a stand-by demand charge to Swan Valley Gas until mid-2012. As a result of this change, Swan Valley Gas' revenues dropped by 70% leading to financial difficulties.

From the outset of operations, Swan Valley Gas had attempted, without success, to expand its distribution system to gain additional customers. This, combined with the loss of its largest customer, led Swan Valley Gas to the conclusion that it was no longer a sustainable business.

Swan Valley Gas entered into negotiations with Centra in 2012 for the sale of Swan Valley Gas' assets to Centra. On July 31, 2013, Swan Valley Gas entered into an asset purchase agreement with Centra; it agreed to purchase Swan Valley Gas' assets, including its franchise agreements with Manitoba municipalities, for a total purchase price of \$200,001. The Agreement was conditional on PUB approval of the transaction. On November 1, 2013, Swan Valley Gas filed an application with the Board requesting approval to sell the assets of Swan Valley Gas to Centra and to approve Centra's purchase.

Concluding that the secure and reliable supply of gas to the Corporation's customers was in the public interest, in Order 29/14, the Board approved the sale of the Swan Valley Gas assets to Centra, subject to the following conditions:

- That the purchase price be amended to \$1, eliminating the proposed \$50,000 annual payments over four years from Centra to SaskEnergy, the parent company of Swan Valley Gas; and
- That the emergency services agreement between SaskEnergy Incorporated and Centra, whereby SaskEnergy provides emergency response services to the Swan Valley Gas service territory, be extended to an initial five-year term from the proposed one year term.

On April 11, 2014, Swan Valley Gas applied to the Board for a review and vary of its Order; this application was dismissed (<http://www.pub.gov.mb.ca/pdf/swan/43-14.pdf>).

v) *Natural Gas Brokers*

Residential gas brokers licensed by the PUB in 2013-14 typically offer residential consumers a fixed-rate fixed-term option as an alternative to Centra's regulated quarterly cost-based Primary Gas Rate. Manitoba customers may also choose to sign a fixed-rate fixed-term contract with Centra Gas; Centra began offering fixed-rate fixed-term Primary Gas offerings in February 2009.

A significant number of private brokers licensed by the PUB serve the commercial and industrial gas supply market; larger gas users are assumed to be informed buyers and can either contract for negotiated fixed terms or receive Centra's quarterly gas supply product.

The Board controls the sales activities of the residential brokers through a Code of Conduct. The Board regularly reviews the policies and procedures employed by the residential gas marketer. In addition to overseeing the terms under which Centra distributes Primary Gas for the broker to its customers, and establishing and monitoring the Code of Conduct that governs a residential broker's marketing to consumers, the Board intervenes and investigates with respect to complaints from residential broker customers. Typically, the Board is able to facilitate a reasonable outcome through discussions between the broker and the customer; it does not have to hold a public hearing to address complaints. As reported above, the PUB issued a revised code of conduct and supporting documents for stakeholders' commentary.

vi) *Manitoba Public Insurance (MPI)*

MPI was established in 1971 as the monopoly provider of basic motor vehicle insurance. As at February 28, 2013, the annual revenues of MPI, including investment income, totaled nearly \$1 billion, and its investment portfolio exceeded \$2.2 billion. MPI insured approximately 800,000 drivers and nearly one million vehicles.

Under the Personal Injury Protection Plan (PIPP), which provides accident benefit coverage, all Manitobans have 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.

Unlike the Board's other regulated utilities, MPI's rates are in force only for an insurance year; an annual rate hearing is required.

The Corporation filed an application on June 14, 2013 seeking an overall increase of 1.8% in the premiums to be charged with respect to compulsory driver and vehicle insurance (Basic Insurance), for the fiscal year commencing March 1, 2014 and ending February 28, 2015 (Fiscal 2014). MPI advised that higher physical damage claims and lower investment income necessitated the need for a rate increase.

In Order 151/13, the Board approved a rate increase of 0.9%. It also approved the request that there be no change in Permit and Certificate rates, Vehicle Premium Discounts and Driver License Premiums, Service and Transaction Fees, Fleet Rebates or Surcharges, or the discount on approved after-market and manufacturer/dealer installed anti-theft devices. The Board also approved the rates for the Collector Vehicles.

The Board concluded that the Corporation needed to control operating expenses, and required the Corporation to:

- review its efficiency on a go-forward basis,
- take steps to rein in its operating expenses,
- file with the Board staffing and cost control results at the next GRA
- file a five-year IT strategic plan, including a cost-benefit analysis, justifying its current and future IT expenditures as part of its next general rate application.

In the Board's opinion, MPI did not fully establish that its portfolio of road safety expenditures was prudently and reasonably optimized to maximize value to ratepayers or to minimize economic and social costs of collisions. The Board ordered that specific Road Safety information and analyses be provided at the next GRA hearing.

The Board continues to be of the view that the Dynamic Capital Adequacy Testing (DCAT) methodology is an improved approach for determining the target for the Basic Rate Stabilization Reserve (RSR). However, the Board determined that further analysis and discussion was needed before it could be utilized for rate-setting purposes and ordered the holding of a technical conference on the issue. The RSR target range continues to be calculated using the Percentage of Premium approach until the Board decides otherwise. The technical conference was held on April 24, 2014.

Order 151/13 also directed MPI to hold a technical conference regarding its interest rate forecasting. Order 19/14 varied that direction on the basis that the related evidence would be filed as part of the 2015 General Rate Application.

(vii) Water and Sewer Utilities

The Board has regulatory rate and financial responsibilities for all of Manitoba's water and/or sewer utilities, except that of the City of Winnipeg.

While Board approved water and sewer rates have increased substantially in recent years, upward rate pressure continues.

At the end of the 2013/14 fiscal year, the Board had a regulatory caseload of approximately 240 active water and/or sewer utility files, including approximately 200 municipal utilities and 40 cooperative and privately owned water utilities.

In 2007, the Board declared all water cooperatives and several privately owned water utilities to be public utilities, thus requiring them to be regulated by the Board. Information requests are sent to each utility as the Board becomes aware of them.

Given the modest size of many utilities and their limited resources, the Board uses a complaints based process to constrain regulatory costs. Many utilities are able to introduce rate changes by simply notifying their customers and providing the Board with financial information in support of the rate changes.

Some applications seeking significant increases result in ratepayer opposition; in such cases, the PUB holds hearings in proximity to the applicable utility. There were no hearings during 2013-14.

In June 2009, the Board issued a general Order that set out the requirements with respect to the Public Sector Accounting Board's (PSAB) accounting standards, and that provided direction to those preparing rate studies. Guidelines and forms were made available on the PUB website to assist in developing utility rate applications. During 2013-14, Board staff and advisors substantially revised the guidelines. The Board initiated consultations with officials of the AMM and MMAA with a view to finalizing them. They became available on the PUB's website in early 2014. The PUB also revitalized the relevant section of its website to ensure ease of use and clarity of expectations for municipalities.

The Board 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 sewer issues.

The Board conducted a hearing process commencing in February 2013 to consider a water disconnection appeal by an individual, respecting two properties he owned in the Rural Municipality of Killarney-Turtle Mountain; the Board findings were set out in Order 70/13. The Municipality had commenced a comprehensive program to replace analog water meters with remote read water meters in 2012. The rate payer would not permit the installation of the remote meters on the two properties which he owned in the Municipality located at 204 Park Street, Killarney, Manitoba and 506 Broadway Avenue, Killarney, Manitoba.

The Board considered the disconnection principles under s.104.1 of *The PUB Act* and the hardship to the customer versus the hardship to the Municipality of allowing the continued use of the analog meter at the rate payer's properties. It found that the hardship with respect to the lack of water supply to the residential property was greater than the hardship to the Municipality. It ordered an exemption for the residential property but not for the commercial building.

Following an application by the affected individual, the Board conducted a review and vary hearing to consider all aspects of Order 70/13. In Order 145/13, the Board concluded that it did not have jurisdiction to consider the disconnection appeal and rescinded Order 70/13.

(viii) Cemeteries and Related Matters

During 2013-14, the Board issued a number of cemetery, columbarium, mausoleum crematory, owner and agent licences; the totals can be found in the section of the report entitled Licences Issued.

The *Statutes Correction and Minor Amendments Act, 2013* was adopted on December 5, 2013 and received Royal Assent that same day. This Act mandated the transfer of the responsibilities for the Cemeteries Act from the PUB to the Funeral Board. Thus, the PUB will no longer be issuing licences pursuant to the Cemeteries Act.

The Prearranged Funeral Services Act (PFSA) regulates the pre-arranged funeral industry in Manitoba.

A funeral director providing funeral services for reward under prearranged funeral plans may be licensed by the PUB to enter into prearranged funeral plans. A licensee entering into a prearranged funeral plan is trustee of all moneys paid under the plan, until (a) the funeral services mentioned in the plan have been provided in accordance with the plan; or (b) the moneys, or any unused balance have been refunded to the purchaser or paid to his personal representative. The licensee must, within the time prescribed in the regulations, pay the monies received from plan clients to an authorized trustee for deposit in a special fund; interest or income, if any, on such monies accrue to the purchaser.

PUB staff audit and review trust accounts managed by licensees, settle disputes, investigate complaints and suspected wrongdoings by licensees. Board staff may appear, if necessary, at legal proceedings regarding the passing of trust accounts, etc. all with a view to ensuring that the public receives fair and equitable treatment.

During 2013-14, the Board issued 33 licences pursuant to the PFSA, the same number as for 2012-13. The total amount held by licensees in trust for clients as of March 31, 2014 was \$40,283,730.34, compared to \$43,043,282.38 as at the same date the year before.

Generally speaking, the Board has met its mandate with respect to the bereavement industry through paper reviews and consultations; hearings involving complainants can occur. However, there were no hearings held during the reporting period.

HIGHWAY TRAFFIC BOARD APPEALS

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

Generally, the Board visits the site and holds a public hearing in the area. The Board assesses the facts and hears the parties before making a decision. Decision criteria include fairness and road safety.

During 2013-14, two appeals were initiated but later withdrawn.

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.

CITY OF WINNIPEG CHARTER ACT (Passenger Transport)

The City of Winnipeg Charter Act provides that, where the City 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 Board oversight. Few of these agreements have been considered by the Board; they have mostly been limited to transport services for children and the elderly.

No passenger transport agreements were signed by the City during 2013-14.

THE CONSUMER PROTECTION ACT

Payday Loans

Since 2009, the Board has been advising the government on the regulation of maximum fees for Manitoba's pay day loans providers. The Act mandates the PUB to provide recommendations to the government every three years.

The Board conducted a Review, including public consultations, of specific aspects of amounts charged to consumers to obtain payday loans.

Its report is available here:

http://www.pub.gov.mb.ca/payday_loan/final_payday_loans_triennial_report_sep_23_2013.pdf

Maximum Fees for Cashing Government Cheques

The Board is mandated to set the maximum amount, or to establish a rate, formula or tariff, for cashing or negotiating a government cheque. After an ex-parte process, the Board issued Order 25/14; keeping the rate set in 2010 unchanged.

BOARD GOVERNANCE ADMINISTRATION

Board's Rules of Practice and Procedure

The Board adheres to relevant legislation and its Rules of Practice and Procedure:

http://www.pub.gov.mb.ca/pdf/pandp/rules_pandp_mar07.pdf

Members are subject to the Code of Conduct (Code):

http://www.pub.gov.mb.ca/pdf/misc/members_code-2011.pdf.

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

Board Members, employees and advisors

The PUB 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 Chairperson, all members are part-time and receive the prescribed remuneration for their services.

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

<http://www.pub.gov.mb.ca/members.html>

Board membership changed during 2013-14:

- Raymond Lafond resigned as a member in December 2013;
- Appointed on December 18, 2013 were:
 - Neil Duboff and Al Morin to serve at pleasure;
 - Rick Bel and Hugh Grant to serve for the duration of the NFAT panel's duties.

Members of the Board as of March 31, 2014:

Régis Gosselin, B ès Arts, MBA, CGA, Chair

Karen Botting, B.A., M.A., M.Ed., Vice-Chair

The Honourable Anita Neville, P.C., B.A (Hons)

Marilyn Kapitany, B.Sc. (Hons), M.Sc.

Susan Proven, P.H.Ec.

Larry Soldier, former Chief of Swan Lake First Nation

Neil Duboff, B.A. (Hons), LLB, TEP

Al Morin, B.A. (Economics), ICD.D

Hugh Grant, Ph.D. (Economics)

Rick Bel, B.A., M.A., M.Sc.

Staff:

Hollis M. Singh, BA (Econ), Executive Director and Secretary

Kurt Simonsen, P.Eng, Associate Secretary

Jennifer Dubois, CMA, Assistant Associate Secretary

Anne Cloutier, Administrative Officer

Brenda Bresch, Office Manager

Diana Villegas, Administrative Secretary

Advisors:

The Board relies upon expert advisors from the fields of accounting, actuarial science, engineering and law; its advisors are:

Accounting	Roger Cathcart, Cathcart Advisors Inc.
Actuarial Science	Brian Pelly, Eckler Partners LLP
Engineering	Brady Ryall, Ryall Engineering Ltd. Larry Buhr, LAB Consulting Ltd.
Law	Bob Peters, Sven Hombach and Anita Southall: Fillmore Riley LLP Candace Grammond, Pitblado LLP

SUMMARY OF BOARD ACTIVITIES

ORDERS ISSUED

	2013/2014		2012/2013	
Regulated Industry Orders				
Water and Sewer Utilities				
Applications for amended rates	23		45	
Applications to address deficits	16		19	
Applications to address rates and deficits	7		12	
Review and Vary	7			
General matters, late payment fees	<u>9</u>	62	<u>2</u>	78
Manitoba Hydro				
Electricity operations	58		59	
NFAT	7			
Centra Gas Manitoba Inc.	<u>12</u>	77	<u>18</u>	77
Natural Gas and Propane Utilities and Pipelines				
Swan Valley Gas Corporation (consumer rates)	2			
Stittco Utilities Man Ltd.	<u>5</u>	7		5
Manitoba Public Insurance		7		5
<i>The Highways Protection Act</i>				3
Fees for cashing Government Cheques		1		
Maximum Charges for Payday Loans		2		
<i>The Cemeteries Act</i>		2		
<i>The Prearranged Funeral Services Act</i>				
Total number of Orders issued		<u>158</u>		<u>168</u>

Note: Copies of the decisions of The Public Utilities Board of Manitoba are available from the Board's office upon request, and are posted on the Board's website (www.pub.gov.mb.ca). The Orders indicated above include Orders related to applications for costs by interveners to the Board's process.

LICENCES ISSUED

	2013/2014	2012/2013
Direct Purchase of Natural Gas		
Brokers	<u>11</u>	<u>11</u>
<i>The Cemeteries Act</i>		
Cemeteries, renewal	11	11
Initial licensing		
Columbariums	21	21
Initial licensing		
Mausoleums	5	5
Crematories	18	18
Initial licensing		
Sales-Owners	11	11
Agents	113	92
Agent Transfer	2	1
	<u>181</u>	<u>159</u>
<i>The Prearranged Funeral Services Act</i>		
Renewal	33	33
Initial licensing	<u>33</u>	<u>33</u>
Total licenses issued	<u><u>225</u></u>	<u><u>203</u></u>

In addition, the Board receives notice of price changes from cemeteries, crematoriums and with respect to pre-arranged funeral services.

**Public Utilities Board
Statement of Revenues and Expenditures
As of March 31, 2014**

	<u>2013-14</u> (\$000's)	<u>2012-13</u> (\$000's)
Sources of funding		
Appropriation	\$ 1,350	\$ 1,350
	<u>\$ 1,350</u>	<u>\$ 1,350</u>
Expenditures		
Salaries & per diems	\$ 828	\$ 749
Rate regulation and safety related costs	\$ 55	\$ 64
General overheads (rent, technology, utilities, etc.)	\$ 468	\$ 364
	<u>\$ 1,351</u>	<u>\$ 1,177</u>
Excess (shortfall) of revenues over expenses	<u><u>(\$1)</u></u>	<u><u>\$ 173</u></u>

Net government funding to the PUB

Appropriation spent by PUB	\$ 1,351	\$ 1,177
Fees collected by the PUB ¹	\$ 1,131	\$ 1,177
Net government funding to the PUB	<u><u>\$ 220</u></u>	<u><u>\$ 0</u></u>

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. Unspent appropriated funds are not accumulated in PUB reserves.

**PUB Fees and Costs Paid by Utilities
As of March 31, 2014**

	<u>2013-14</u> (\$000's)		<u>2012-13</u> (\$000's)	
<u>Manitoba Hydro</u>				
PUB Fees: ¹				
electricity	\$	313	\$	312
gas operations		<u>436</u>	749	<u>452</u>
				764
Cost of Board advisors, paid by Manitoba Hydro:				
electricity		2,900		1,592
NFAT		5,117		
gas operations		<u>374</u>	8,391	<u>311</u>
				1,903
Costs of interveners, paid by Manitoba Hydro: ²				
electricity		443		
NFAT		507		
gas operations		<u>258</u>	<u>1,208</u>	<u>106</u>
				<u>106</u>
<i>Aggregate Manitoba Hydro</i>		10,348		2,773
<u>Manitoba Public Insurance (MPI)</u>				
Fees - MPI ¹		312		312
Cost of Board advisors, paid by MPI		386		287
Cost of Interveners, paid by MPI		<u>152</u>		<u>26</u>
<i>Aggregate MPI</i>		850		625
		-		-
<u>Other Fees</u>				
Stittco Utilities Man Ltd. ¹		2		5
Swan Valley Gas Corporation ¹		2		2
Water & Sewer Utilities - All others ^{1 2 3}		42		62
Cemetery and funeral related activities ^{1 3}		18		25
Natural Gas Brokers ³		6		7
<i>Aggregate Other</i>		70		101
Consolidated fees and costs		<u><u>\$ 11,268</u></u>		<u><u>\$ 3,499</u></u>

¹ Fees payable to the PUB by utilities are set out in the Public Utilities Board Fees Regulations as prescribed by the PUB pursuant to s. 57 of *The Public Utilities Board Act*

² The PUB directs utilities to pay the costs of Board advisors and pay, upon a Board Order awarding costs, all or a portion of the costs incurred by interveners in its hearings. The costs are billed directly to the utilities.

³ Licence fees paid by applicants are either fixed by regulation or by Board Order.

Aggregate Cost of PUB Operations

As of March 31, 2014

	<u>2013-14</u> (\$000's)	<u>2012-13</u> (\$000's)
PUB expenditures funded by appropriation	\$ 1,351	\$ 1,177
Total Board Advisor costs billed to regulated entities*	8,777	2,190
Total Intervener costs billed to regulated entities*	1,360	132
Aggregate Cost of Board Operations ' 	<u>\$ 11,488</u>	<u>\$ 3,499</u>

* Includes the cost of the NFAT undertaken by the PUB on behalf of the Government of Manitoba.

' The difference between the aggregate cost of Board operations and the fees and costs paid by utilities represents the PUB costs paid with government funding.

