

ANNUAL REPORT
FISCAL YEAR 2005/06

ENDING MARCH 31, 2006

THE PUBLIC UTILITIES BOARD

June 09, 2006

The Honourable Gregory F. Selinger
Minister of Finance
103 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister Selinger:

Pursuant to the provisions of Section 109(1) of The Public Utilities Board Act, and on behalf of my fellow Board members and myself, I am pleased to convey to you The Public Utilities Board's 2005/06 annual report for the period ending March 31, 2006

The Board's regulatory jurisdiction includes the major Crown and municipal utilities of Manitoba, with the exception of the City of Winnipeg's water and sewer utility operations. Either upon application by a regulated utility or on Board direction, the Board sets consumer rates following a review of a utility's financial and general operations. The Board may receive or require, and approve, vary or deny rate applications.

The Board's mandate extends to privately owned cemeteries and crematoriums, pre-arranged funeral plans, perpetual care trust accounts, and natural gas brokers. As well, the Board hears appeals of decisions by Manitoba Hydro with respect to natural gas service disconnection, and the Highway Traffic Board with respect to highway accesses and adjacent signage. The Board also oversees natural gas pipeline safety. The Board acts from a public interest perspective, mindful not only to the interests of consumers but also of the financial health of regulated utilities.

During the period under review, the Board held major public hearings with respect to Centra Gas, Manitoba Public Insurance and several municipal water and sewer utilities. The Board also conducted public hearings involving Highway Traffic Board access decisions and a crematorium expansion, and conducted paper reviews of rate and other applications by Manitoba Hydro and numerous regulated water and sewer utilities. The Board was also very active supervising natural gas pipeline safety and natural gas service disconnections.

I have the responsibility and privilege of being the full-time Chairman of the Board; there were eight part-time members during 2005/06, although a resignation last August has resulted in one vacancy. The Board has a full-time staff of six and a roster of professional Board Advisors (legal, accounting, actuarial and engineering). Both staff and advisors are dedicated to effective and efficient service within the Board's mandate.

Sincerely,

Graham F.J. Lane, C.A.
Chairman

Chairman's Report

Review of Board Proceedings

For the Fiscal Year Ended March 31, 2006

Introduction

The Public Utilities Board (Board) represents the public interest, which has been defined to include fairly treated consumers and financially stable utilities. In recent years, and with the enactment of *The Sustainable Development Act*, the public interest in energy efficiency, conservation and clean energy matters has also been identified. The Board is comprised of a government-appointed full-time Chairman and, at full roster strength, eight part-time members, and is ably assisted by staff and Board Advisors. The Board's mandate is met through public hearings, paper reviews, direct intervention and consultation. The Board is a quasi-judicial administrative tribunal; decisions are made independent of government direction, in accordance with the enabling legislation.

The regulation of electricity, natural gas and propane pricing are major responsibilities of the Board. Natural gas pipeline safety is an important and related responsibility, and involves the Board not only here in Manitoba but as a member of the Canadian Standards Association. The Board establishes vehicle insurance rates through its regulation of Manitoba Public Insurance. As well, the Board regulates provincial municipal water and sewer utilities in the Province, excepting for the City of Winnipeg; licenses and oversees privately owned cemeteries and crematoriums; and monitors the trust accounts of funeral directors holding monies under *The Prearranged Funeral Services Act*. All natural gas brokers operating in Manitoba are licensed by the Board, for purposes of ensuring security of supply and fair customer relationships. The Board hears appeals from Highway Traffic Board decisions, pursuant to *The Highways Protection Act*, from consumers with respect to the disconnection of natural gas service, and with respect to contract disputes with natural gas brokers. Recently, legislation was tabled making the Board responsible for setting maximum rates for Payday Lenders and fees for the cashing of government cheques. The Board continues to be a member of the Canadian Association of Members of Public Utility Tribunals (CAMPUT), where Canadian regulatory practices and utility industry matters are discussed and professional development provided.

During the period April 1, 2005 to March 31, 2006, the Board issued 174 Orders and 213 licenses (2005-160 Orders and 161 licenses), as well as attending to a host of other matters. During the fiscal year ended March 31, 2006, the Board expended \$1.040 million in direct costs (2004/05, \$1.245 million), with approximately \$250,000 being expended on natural gas pipeline safety. As well, the Board directed regulated utilities to pay a further \$2.298 million for Advisor and intervener costs related to Board hearing processes (2004/05, \$2.002 million). The Board met its direct costs through levies on regulated utilities. Regulated utilities also bore their direct costs of participating in the regulatory process.

Taking into account all costs incurred by all parties to Board processes, overall regulatory costs for the fiscal year ended March 31, 2006 approximated \$3.4 million (2004/05, \$3.3 million). On the other hand, the approximately one hundred and fifty utilities regulated by the Board have annual revenues in excess of \$3 billion; thus regulatory costs account for only 1/10th of 1% of utility revenue.

Regulated utilities are generally monopolies, in aggregate serving virtually every Manitoba resident, business and organization.

Overview of Board Processes

Regulated utilities make, or are directed by the Board to make, application to the Board when seeking a rate or other operational change.

For the larger utilities, or when a proposed rate increase is judged by the Board to either be exceptionally large in percentage and absolute terms, or controversial, the Board hears the application through a public hearing.

For public hearings related to Manitoba Hydro, Centra Gas Manitoba and Manitoba Public Insurance, interveners participate, and, together with the Board, pose questions, cross-examine witnesses and set out positions. In addition, at all public hearings of the Board presenters from the general public are able to address the Board. Intervenors and the Board may retain expert witnesses, who together with witnesses put forth by the applying utility, provide testimony at the hearings. Testimony supports, criticizes or proposes options with respect to the application before the Board. Intervenors assist the Board in reaching decisions by presenting views reflective of their sponsoring organization or the general public interest.

Prior to Board hearings, public notices are issued advising of the upcoming hearing, and informing the public of the availability of cost awards available to support effective interventions. Transcripts of major hearings are posted on the Board's website and otherwise made available to interested parties. Copies of Board decisions are issued to all those involved in the hearing, the media and, on request, members of the public. As well, major Board decisions are noted by way of media release, and posted on the Board's website. The Board's Rules of Practice guide public hearings; the rules are available to all participating parties in advance of a hearing, and are also posted on the Board's website. The Board's decisions may be appealed, either by a motion to vary addressed to the Board, or, in certain circumstances, to the Court.

In some cases, where special circumstances are present, the Board issues interim direction, representing decisions reached through reviews not attended or participated in by intervenors and the general public. Such a process is denoted as an *ex parte* hearing. Decisions and the reasons therefore, arising out of *ex parte* hearings, are circulated to the parties involved, intervenors, the media, and on request, the public. Interim *ex parte* decisions are subject to confirmation, repeal or variance through a subsequent public hearing, where the utility, intervenors, and the public are present. *Ex parte* decisions may also be appealed, either to the Board in a motion to vary or to the Court.

For relatively smaller utilities, such as Swan Valley Gas Corporation, Stittco Utilities Man Ltd., and many of the water and sewer utilities, the Board, in an effort to reduce the cost of regulation, will often reach its decisions on applications by way of a paper review. Under this process, the Board requires the utility to publish a notice of its application with an indication that concerns are to be addressed to the Board. The Board then informs itself as to the particulars of each application through a written process of interrogation (information requests) of the applicant utility. An increasing number of water and sewer applications, particularly those involving large rate increases, are heard by way of public hearing. Increasingly, the Board holds rate hearings outside of Winnipeg, from the far north to the southern border.

As part of its general process, the Board assesses the financial statements of the utility in question, and considers the various options available to respond to the utility's application pursuant to the Board's perspective as to what constitutes the public interest. As previously indicated, concurrent with this process, the Board requires the applicant utility to advertise its application, and the utility is obliged to share with the Board any objections it might receive from the public. Where objections are significant in the Board's estimation, the Board holds a public hearing.

The Board process requires Board members to declare any conflict of interest prior to a hearing or decision process, as decisions of the Board must be independently reached and unbiased. Generally speaking, the Board sits in panels of two to four members for each application before the Board. All Board members are assigned to at least one major area of responsibility.

Energy: Electricity, Natural Gas and Propane

Upon applications from regulated utilities, which in rare cases will be required by the Board, the Board establishes consumer rates for Manitoba Hydro, Centra Gas Manitoba Inc. (a subsidiary of Manitoba Hydro), Stittco Utilities Man Ltd. (a propane distribution company serving Flin Flon, Swan Lake and Thompson), and Swan Valley Gas Corporation (a subsidiary of SaskEnergy serving the Swan River area). Applications include those seeking approval of rate changes, expansions or other major operating changes.

The gas and propane utilities purchase their commodity supply through the continental energy market, where the price is determined by supply and demand. Utility commodity costs are affected by such hedging as may be contracted pursuant to utility policies. Centra Gas amends its billings for commodity costs on a quarterly basis, reflecting on-going market fluctuations; Swan Valley Gas and Stittco generally amend their rates on an annual basis. Gas and propane utilities recover their costs through levies on their customers, and the levies recover supply and operating costs and provide a reasonable mark-up to allow either for a reasonable return (privately-owned utilities) or adequate financial reserves (Crown corporations).

Licensed natural gas brokers offer consumers a fixed-price alternative to Centra Gas' quarterly cost-based commodity billings. The Board licenses all brokers, but their prices are unregulated and market-driven. The Board supervises the

sales activities of the brokers through a Code of Conduct, and has the authority to rule on the continuance of a retail contract in the case of a dispute between a customer and a broker. The brokers market their service through direct consumer contact, and provide primary natural gas supply to approximately 20% of Centra's residential customers. On a regular basis, the Board receives complaints from the public concerning the sales methods used by particular broker agents, and meets with the sponsoring brokers to address inappropriate conduct.

With respect to Manitoba Hydro and Centra Gas, the most contentious matters dealt with most often relate to rate matters. Interveners to the public hearings represent public and commercial interests in these matters.

Manitoba Hydro (MH)

In 2005, the Board granted the first of the two conditional rate increases of 2.25% provided for in 2004 Order 101/04 (a 5% increase was granted and implemented in 2004); MH declined to pursue the second conditional increase citing improved operating results related to increased net export revenue. Subsequently, MH filed for a 2006 rate increase; the utility later withdrew the application in the light of a sharply improved profit outlook for 2005/06.

MH lost \$428 million in 2003/04 due to drought and drought related matters, but with improved water flow and net export earnings MH reported earned net income of \$136 million in 2004/05. MH most recently, and publicly, forecast net income in the range of \$375 million for 2005/06. MH's latest financial forecasts suggest annual rate increases of 2.5% will be required to bring its debt:equity ratio to the target level of 75:25 over time.

Export electricity sales, unit prices and volume, are the key to MH's profitability and continued low Manitoba electricity rates.

Cost of Service Study

MH employs a Cost of Service Study methodology (COSS) to test the fairness of rates between electricity customer classes. COSS allocates electricity revenues and expenses to the various customer classes, then allocates net export revenue to each class, and determines the ratio between each class' costs and revenues. A ratio of 1:1 is the conceptual objective, though a Zone of Reasonableness (ZOR) of 95 to 105% of 1 has been established as the operative target for each class. Since the COSS is based on historical embedded costs and does not consider marginal costs or market rates, the results of the COSS are a guide in rate setting, which also involves other factors and considerations.

Significant net export revenues are critical to MH's low rates. Heretofore, only certain variable direct costs have been attributed to export revenues in the COSS. The Board directed MH to create a separate export class, and allocate both expenses and revenues to that class, to improving the COSS. As well, the Board directed that the "cost" of uniform residential rates, brought about by legislation, should be applied as a first charge against net export revenue. A public hearing is scheduled for May 2006; Board and registered Interveners will test MH's latest recommended COSS and

review related matters.

Weekly Surplus Energy rate settings by ex parte process

Industrial customers benefit from lower electricity sales rates than residential customers, as firms within this rate class do not utilize MH's distribution assets. The Surplus Energy Program provides industrial customers the opportunity to purchase "excess" supply at rates available to export customers.

Through an ex parte process, the Board establishes interim rates for MH's excess electricity sales each week; the rate setting is a proxy for MH's wholesale spot export sales to the United States, though it provides rates for sales to Manitoba industry. Following Hurricanes Katrina and Rita, the price for peak, shoulder and off-peak electricity export sales were considerably higher than the norm, the result of higher natural gas input costs incurred by American electricity producers using natural gas as input fuel for generation. As damage caused by the hurricanes was repaired and a warm winter transpired, prices for natural gas and export electricity rates fell.

Over 50% of MH's export sales are by contract, the rest are opportunity sales dependent upon current market electricity wholesale prices and the level of excess generation and transmission available to MH.

Wind, Wuskwatim, New MH Head Office and Other Capital Expenditures

MH's capital expenditures are intended to improve generation, transmission, distribution and operating capacity, though affect its debt:equity ratio until such time as new plant is in service and additional sales develop.

Wind is an environmentally friendly clean energy source, and MH contracted with an income trust to develop a 99 MW wind farm near St. Leon. Other projects are being considered, with 250 MW of wind generation now forecast within MH's forward financial forecasts. The planned Wuskwatim generation station would provide an additional 200 MW of generation when in service. The capital expenditure estimate for Wuskwatim has increased and now approximates \$1.4 billion; the project will proceed only upon First Nation participation. MH is constructing a new head office, which is expected to allow for consolidation of administrative functions and cost approximately \$280 million. Other capital expenditures are contemplated, and these include investments in new generation (Keyask, Conawapa, improvements to existing stations) and transmission. As well, MH plans additional demand side management expenditures, i.e. measures to be undertaken in co-operation with its customers to improve energy efficiency; improvements in energy efficiency release generation capacity for export as well provide for reduced consumer bills and environmental gains through reduced carbon emissions.

The Board does not have a mandate to pre-approve MH's capital expenditures, though conceptually it may disallow the inclusion of costs in setting rates. With MH's sole shareholder being the Province, the utilitarian value of disallowance from a consumer perspective is questionable, unlike the case when Centra was owned by a private energy company.

Under the private ownership structure, the Board disallowed approximately \$20 million of future contract losses in the late 1990s, directly impacting the shareholder but not consumers.

There is a regulatory argument for expanding the Board's authority with respect to MH to include approval of major capital expenditures, as is the case with Centra Gas operations. Such a mandate would provide an additional check and balance on capital expenditures (the primary contributor to revenue requirement). The current situation, which leaves capital expenditure responsibility with MH and government, does result in reduced regulatory costs and has been generally accepted by Interveners and the public.

Centra Gas Manitoba Inc. (Centra)

Centra provides natural gas to 250,000 residential and other customers in Manitoba. Centra was purchased by Manitoba Hydro in 1999, and is integrated within MH's general operations. Centra's gas supply is purchased mainly from Western Canadian sources, and Centra has a storage facility in Michigan and engages in hedging practices, both affecting overall costs and rates.

Expansion has been limited as result of natural gas price increases since 1999, while delinquency, bad debts and service disconnection have become major problems. Net Income is limited to full recovery of costs incurred by MH, the amortization of MH's acquisition-related costs, and the development of adequate surplus. Considerable attention is now being placed on reducing customer gas consumption through improved customer awareness, insulation and furnaces.

Annually there is a public hearing into the natural gas commodity costs of Centra Gas; the hearing also considers matters such as the allocation of unaccounted for gas costs, the supply and transportation arrangements of Centra Gas and matters related to the purchase, transportation and storage of natural gas. Natural gas purchased from western Canadian and American producers is transported to Manitoba through pipelines owned by external parties, and distributed within Manitoba through Centra's infrastructure. Centra's natural gas storage facilities are in Michigan, though consideration is being given to developing additional storage in Saskatchewan, no decision has been made.

Quarterly, 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, as impacted by storage and hedging. Natural gas commodity prices rose to in excess of \$15/GJ by early December of 2005 following hurricanes that curtailed production and transportation in the United States. During the winter of 2005/06, only warm weather and the Board's shielding residential consumers from the full impact prevented further increased delinquency and consumer distress. Also, the impact on customers would have been considerably more marked excepting for Centra's hedging and the lower cost of natural gas in storage. Spot market prices have since fallen dramatically, to approximately \$6; some industry sources project sharp increases for the fall and winter of 2006.

Nonetheless, since 1999 the annual bills of Centra's 250,000 customers have increased dramatically, and this has led to

rising delinquency, bad debts and service disconnection. The market share held by natural gas with respect to space heating will fall over time if natural gas prices do not stabilize.

Citing concerns related to gas service disconnection, delinquency and bad debts, the Board reacted to the natural gas price spike of the fall of 2005 by deferring one-half of the additional commodity costs incurred by Centra for residential customers at the November 1, 2005 quarterly primary gas rate setting. The Board correctly anticipated that commodity prices would fall, reducing rate pressure. The Board set rates for other Centra customers, commercial and institutional reflecting Centra's actual cost of gas; no deferrals were provided for the other classes.

The next annual Cost of Gas public hearing will occur in the fall of 2006. Arising out of that hearing will be the Board's final determination of primary gas quarterly rates set on an interim basis, disposition of balances accumulated in the various Purchased Gas Variance Accounts and other matters related to gas supply and transportation. The potential development of salt cavern gas storage in Saskatchewan, Centra's approach to securing gas supplies from producers and marketers, and Centra's hedging practices will be reviewed.

Non-commodity rates

Transportation, distribution, operating and general expenditures incurred by Centra Gas for all customers, including those served by private natural gas brokers, are reflected without mark-up in rates.

As well, the Board has accepted an annual Corporate Allocation Charge against Centra by its parent MH of \$12 million; the allocation provides MH funds to meet its debt servicing and acquisition costs related to its 1999 purchase of Centra Gas. In addition, the Board allows Centra to make an annual profit of \$3 million, this together with the Corporate Allocation charge, provides MH with an overall return on its investment in Centra equal to that historically earned by Westcoast Energy, the previous owner of Centra. The Board has suggested to MH and Centra in its most recent Centra GRA Order, that cost increases incurred by Centra in future years will be allowed to be reflected in non-commodity rates. The Board anticipates that Centra will file a GRA once every two years; the next would be expected in or before 2007.

The Board provided Centra a 2% general rate increase for non-commodity costs effective February 1, 2005, and a further 1% as of April 1, 2006 (Centra had applied for 2.5% in both instances.)

Cost of gas (commodity costs)

Primary gas, the anticipated required gas supply assuming a normal winter, is purchased by Centra for Centra customers not receiving natural gas pursuant to contracts with natural gas brokers. In addition, Centra purchases supplementary gas for all customers in receipt of primary gas, whether Centra or private broker customers. Cost of gas also includes storage and transportation costs to Manitoba, as well as unaccounted for gas. Centra's "cost of gas" is reflected in customer rates without mark-up.

At the time of MH's purchase of Centra, the cost of gas represented about 65% of Centra's annual revenue requirement, now, with much higher natural gas prices, the cost of gas represents over 85% of annual revenue requirement. Subject to the Board's approval, which is provided through the annual Cost of Gas hearing, Centra enters into gas supply, transportation and storage arrangements with gas vendors, pipeline companies and storage facilities.

Hurricanes, Katrina and Rita: impact on pricing, and hedging

Hurricanes Katrina and Rita devastated gas production and transportation from the American Gulf Coast, resulting in a sudden and sustained price spike in natural gas commodity prices. As a result of NAFTA, Canadian gas is priced subject to the continental market, and is a primary supplier of American needs. American utilities use natural gas as feedstock for electricity generation, so when natural gas prices spiked so did wholesale electricity prices. With MH enjoying high water flow conditions, the utility was able to meet its export sale commitments and opportunities at the higher wholesale prices arising out of the natural gas price spike and supply restrictions.

Centra hedges, to one-year out, up to 100% of its normalized primary gas purchase requirements. Upon its apprehension of a likely natural gas price bubble in the fall of 2005, the Board suggested to Centra that it consider restricting its hedging to prepare for the possibility that natural gas prices could be expected to fall back. Centra initially indicated to the Board that it was restricting its hedging, but ultimately returned to its usual hedging practices. Hedging will be reviewed at the next cost of gas hearing.

Service disconnection

As previously reported, over 6,000 natural gas heated residences in Manitoba were disconnected from the gas supply in the summer of 2005, continuing a rising trend matched with similar increases in Centra delinquency and bad debts. With the price per GJ of natural gas having risen four fold since 1999 while average disposable income increases have been modest, the problems with meeting natural gas bills experienced by many households is not overly surprising.

The Board oversees Centra's disconnect policy and actions, and intervenes upon appeal or evidence of health and safety risks. Disconnection was a primary factor in the Board's decision to limit the natural gas rate increase for residential customers as of November 1, 2005 and to recommend that Centra expand its DSM program and subsidize the DSM costs on low-income residential customers.

Stittco

Stittco filed a general rate application with the Board in early 2006, requesting increased rates and a change in regulatory model to reduce their costs. As propane market prices have fallen, the Board suggested that Stittco revise its application; the Board continues to dialogue with Stittco over rates and regulatory oversight.

Manitoba Public Insurance

Manitoba Public Insurance (MPI) was established as a monopoly provider of basic motor vehicle insurance in 1971. The objectives for the Crown were established in the enacting legislation, and have been followed since. Over the years, substantial changes have occurred. The most significant change took place in 1994 when Basic plan benefits were changed to reflect a total no fault environment for accident benefits. Other major changes include:

- a) the introduction of a Bonus/ Malus system to reward good drivers and provide penalties for poor experience in 1988;
- b) the sale of the general property insurance segment to the private sector in 1989;
- c) the introduction of a no fault retirement benefit in the late 1990s;
- d) the transfer of DVL responsibilities to MPI from the Province in 2004; and
- e) changes to the allocation of the cost of claims to reflect the no fault nature of the program in 2006.

The investment portfolio has increased substantially following the adoption of total no fault, and now approximates \$2 billion providing an important source of revenue to restrain premium levels. Premiums are among the lowest in Canada, while benefits (excluding consideration of pain and suffering no longer being compensable under the no fault design) and coverage are among the most generous.

Loss Transfer Hearing and Decision

After a decade of dispute between motorcyclists and MPI over premiums charged motorcycles, the Board convened a special hearing to consider the approach taken with respect to the allocation of cost responsibility for accidents. MPI had been allocated accident injury costs on the basis of the benefit recipient, not the cause. After a thorough review involving Interveners from a number of parties and expert witnesses from outside the Province, the Board directed a change in the method of attributing the cost of injuries arising out of the accidents. The new approach, in place as of March 1, 2007, has injury costs distributed equally between the vehicles involved in an accident. No appeal of the decision followed, and the change is expected to lead to lessened rate pressure on motorcycle and other two-wheel vehicle premiums and increased pressure on commercial trucks.

Premium Rebate and GRA Hearing

The Board confirmed prior decisions establishing a methodology to determine the range of the Rate Stabilization Reserve (RSR), and directed a 10% rebate be paid by MPI on 2004/05 gross written premium, so as to reduce the RSR, which exceeds the maximum of the re-confirmed RSR range.

MPI sought to change the methodology determining the RSR, to one followed by private insurers pursuant to direction from the federal regulator. Private insurers are not monopolies and thus lack MPI's available mechanisms to address any

future operating deficit.

Immobilizers and Vehicle Theft

Arising out of the 2004 GRA, the Board directed that MPI address the auto theft problem. MPI established an immobilizer program and, as well, entered into a partnership with the Province and the City to suppress auto thefts. The Board supported MPI's plans and actions at the 2005 rate hearing.

Division of Vehicle Licensing (DVL)

In 2004, government transferred the responsibility for and operations of DVL to MPI. MPI placed these operations within its Extension Division, which is not regulated by the Board. MPI has advised the Board in the 2005 public GRA process that the operations of DVL are expected to result in large deficits over the next five years, including the end of commission offset payments from the Province. These deficits will reduce the otherwise forecast Net Income of Extension, which is transferred to the RSR of Basic once a minimum threshold of retained earnings has been reached.

MPI has advised that it intends to undertake an operational review of DVL operations and integrate DVL operations into Basic processes, and that these actions are expected to reduce the forecast losses. In addition, MPI has reported it plans to invest in new DVL and Basic software. MPI reports expected improved financial operations over time with respect to DVL, and that having DVL will result in time in an improved Bonus/Malus system, and assist in reducing accident frequency and severity.

Investment Portfolio

For the last two fall rate hearings, the Board has questioned MPI's investment practices and policies. MPI has less than 20% of its near \$2 billion investment portfolio invested in non-bond assets, and the Board has suggested MPI consider accepting more exposure to equities. The yields of fixed income securities have fallen considerably over the past ten or more years, and an asset mix favouring bonds over equities by a 4:1 ratio may be expected to produce sub-optimal investment yields in future years. Restraining premium levels is dependent in large part on the level of investment earnings.

General Rate Application hearing, 2006

Major continuing issues are expected to be revisited in the Board's fall hearing of MPI's 2007/08 rate proposal.

Unlike the situations of the Board's other regulated utilities, MPI's rates are in force only for a particular insurance year; this means an annual rate hearing is required. Given that new vehicles join the fleet each year and the experience on existing vehicles is constantly changing, there is no real option to an annual hearing though the Board continues to explore ways to reduce duplication and improve regulatory efficiency.

Significant issues confronted in this past fall's hearing for 2006 rates were the RSR range and related refund potential, motorcycle and other two-wheeled vehicle premiums given the Board's earlier "loss transfer" decision, the DVL acquisition and related matters, the vehicle immobilizer program and, a repeat issue, MPI's investment practices. In addition, for the first time the Board explored the implications of environmental principles being applied in MPI premium setting, in a discussion surrounding the potential for a PAYD program (pay-as-you-drive premium setting, based on kilometres traveled).

Water and Sewer Utilities

Manitoba's municipal water and sewer utilities have been greatly affected by increased standards for water and sewer quality, aging infrastructure and ongoing general inflation. In recent years, large rate increases have been approved by the Board. The consideration of same has led to more public hearings, many outside of Winnipeg and increasingly well attended. Nutrient removal from sewage is the next major issue to be managed, along with the continuation of a trend to metering consumption and upgrading facilities to meet industrial and residential needs.

In dealing with rate and deficit issues for water and sewer utilities, the Board is mindful of the impact of *The Sustainable Development Act*, efforts to co-operate with other water agencies and major infrastructure capital upgrade requirements.

As indicated previously, the Board's water and sewer utility workload has increased significantly. Increasingly, amended water and sewage quality standards, aging infrastructure, years of inadequate rate increases and inflation, inadequate reserve levels and, in some cases, expanding population and industry have led to applications for enormous rate increases (up to 100%).

The Board attempts to phase in required increases where possible, and encourages municipalities to provide good accounting between their General Fund and their utility, and to build reserve fund balances. Water and sewer assets are not depreciated, meaning reserve balances are the defense against large rate increases or grant requests. Related to the latter, the Board is cognizant of emerging accounting standards which will require these utilities to adopt generally accepted accounting practices, which will include amortization accounting.

Cooperation between the Board and other government agencies involved with water issues is encouraged and pursued. During 2005/06 the Board met with the Association of Manitoba Municipalities to discuss a new rate structure for regulatory oversight, as well as updating Board guidelines for utilities. The response was positive to both matters.

Cemeteries and Related Matters

Consumer and Corporate Affairs (a Division of the Department of Finance) and the Board are considering a joint review of all legislation pertaining to cemeteries, crematoriums, funeral homes, perpetual care accounts and related matters.

Much of the governing legislation is very outdated, and the regulation of the field is not comprehensive with large areas of operation operating outside of regulatory oversight. In particular, the Board has noted problems with unregulated cemeteries (non-privately owned municipal and faith-based facilities) and with the balances in perpetual care trust accounts; the funds held in trust are woefully inadequate for the purpose intended.

The trends in the funeral and cemetery industry favours cremation over burial, with a reported 60% utilization of cremation. Ongoing inflation and reduced investment income expectations have over a lengthy period of time resulted in perpetual care accounts being increasingly inadequate. Private cemeteries are being maintained as marketing devices and are supported by current revenue rather than relying on investment income from perpetual care accounts. Aging infrastructure, declining populations (in some locations), declining church attendance and membership, and ongoing migration have resulted in challenges with respect to unregulated faith-based and municipal cemeteries.

And, while current legislation requires regulated cemeteries and crematoriums to seek approval from the Board for price changes, the Board lacks the means to determine whether proposed changes have merit. Price control is left to the marketplace.

The proceeds from the sale of cemetery services sold on a pre-need basis are not placed into a trust account. The services and goods purchased are provided upon the need arising (for example, the provision of a plot and marker). However, for-profit private cemeteries must set aside a portion of funds received in a perpetual care fund, and the transactions within the fund are audited by the Board on a periodic basis. The Board also notes a significant shift towards cremation from burial, and that the shift is North American wide and impacts on cemetery care.

Only private operations are subject to the Board's purview, and most of them are tied to funeral homes as the balances in the perpetual care accounts are inadequate to meet property and grave maintenance requirements. Generally speaking, the Board attempts to meet its mandate with respect to the death industry through paper reviews and consultation, though hearings involving complainants have occurred in past years (most recently, 2004).

The Board notes that cemeteries continue to require operating funds to subsidize investment income drawn from perpetual care funds to meet perpetual care obligations. The proper care of private cemeteries currently depends upon the commitment of current operating funds raised from sources other than perpetual care investments.

The Board also hears appeals of customers of funeral homes, cemeteries and crematoriums. These appeals may relate to the sale of pre-arranged funerals or the costs of a cemetery plot with a perpetual care component.

During 2005/06, the Board received an application from Neil Bardal Inc. to enclose its scattering grounds within a crematorium. Following research into industry and government practices in other jurisdictions, the Board issued an Order touching on many societal issues related to cemetery and funeral matters. In an unprecedented move, the Board deferred the effective date of the Order to allow for interested parties to respond. While some critical responses were

received, the Board determined that the operative section of the Order should be made effective.

A motion seeking leave to appeal (to the Manitoba Court of Appeal) was filed by a party with private cemetery interests, and the Board decided to hold a hearing to reconsider its decision.

Highway Traffic Board

As previously indicated, the Board hears appeals of decisions of The Highway Traffic Board pursuant to *The Highways Protection Act*. Appeals generally deal with access to provincial highways by driveways and the placement of signs adjacent to highways. Appellants include local landowners and the Highways Department. Generally, in determining these matters the Board visits the site and holds a hearing in the area.

A major public hearing was held with respect to an appeal of a Highway Traffic Board Order establishing conditions on an electronic sign in Steinbach. The Board upheld the appeal by Highways, and limited the operations of the sign, though providing an opportunity for reconsideration if Highways and the sign owner arrive at a consensus on sign operations that the Board considers safe and prudent.

The Emergency 911 Public Safety Answering Point Act

During 2005/06, *The Emergency 911 Safety Answering Point Act* was enacted; it assigns the appeals process to the Board. Applicants for 911 service provision refused licensing will be able to appeal their denial to the Board.

Court Matters

During 2005/06, of the approximately 200 Board Orders issued only three were challenged in the courts.

In one of these challenges, concerning a general rate increase provided to Manitoba Hydro, the Board was successful -- the appeal was rejected and the Board's interpretation of its jurisdiction and mandate reinforced. The Court of Appeal rejected an intervener's appeal of Board Orders 101/04 and 143/04. The intervener claimed the Board had not sufficiently tested MH's operating costs prior to reaching its decision; the Court disagreed with the intervener and supported the Board's jurisdiction and judgment.

In the case of an appeal of an interim ex parte Order related to Centra Gas, the Board's decision was over-turned by the Court, though with no rate effect. The Board established interim non-commodity rates for Centra Gas by an ex parte process, and an intervener appealed the decision to Court of Queen's Bench. Queen's Bench ruled against the Board and quashed the interim Order. While the decision had no impact on rates, as the Board had set final rates retroactively subsequent to a public hearing, the ruling affects the Board's ability to employ ex parte processes and issue interim decisions. These are processes on which it depends to restrain regulatory costs and ensure timely decisions.

Accordingly, and believing Queen's Bench to have been incorrect in the decision, the Board has appealed that decision, the hearing is slated to be heard by the Court of Appeal in June 2006.

The third case of an appeal relates to a Board Order approving the expansion of a licensed crematorium to enclose an ash scattering garden. A cemetery industry participant sought leave to appeal the Order, opposing the Board's view on the grounds that a crematorium's scattering garden was a cemetery and perpetual care trust funds were required. The Board opposed the motion and will hold a public hearing to reconsider its decision.

Internal Board Matters

Board's Rules of Practices and Procedures

The Board operates pursuant to legislation and its Draft Rules of Practices and Procedures (Rules). The Rules provide assurance and guidance to regulated Utilities, registered Interveners, Members of the Legislative Assembly, government and other interested parties with respect to the manner by which the Board manages its public and ex parte processes. The Rules have been operative in draft form for over a decade; the Board will formally adopt its revised Rules in June 2006, circulate the revision to interested parties and post on the Board's website.

Among other things, the Rules set out the Board's criteria for awarding costs to Interveners. The Board has full discretion with respect to the award of costs, and exercises that authority to restrain regulatory costs while enabling public participation in Board hearing processes.

Staffing

In March 2004, I took up the post of Chairman, succeeding Gerry Forrest who had exercised the responsibility of the position for twelve years prior to his retirement.

A significant staff event in 2005/06, and the one with the most importance for 2006/07 and the future, was the secondment to the Board from the Department of Finance of former Comptroller Gerry Gaudreau, CMA. Mr. Gaudreau has since been named Executive Director and Secretary and is assisting the Board in its continuing efforts to reduce regulatory costs, while absorbing the additional workload being experienced as a result of increased water and sewer applications and hearings and pending new legislative assignments.

Ms. Jo-Donna Williamson, the Board's Office Manager, will retire from Board service in May 2006, after 37 years of public service; she will be sorely missed.

Operational improvements

During the fiscal years ended March 31, 2005 and 2006, several changes took place related to Board matters, these including:

- a) reduced external advice and services budgets; by increasing reliance on internal advice and services, the savings reduced the cost of regulation for Manitoba Hydro and Centra Gas;
- b) amendments to the process for quarterly natural gas rate changes, saving Centra Gas in excess of \$150,000 annually without reducing the effectiveness of the process;
- c) managing intervener hearing budgets more effectively, reducing overlaps of interest and work amongst the Board and the interveners so as to avoid excessive cost awards;
- d) increasing application and annual renewal fees for natural gas brokers to meet increased regulatory actions, and introducing a fee with respect to appeal hearings to meet costs incurred at such hearings and motivate cost effective behaviour (since this change was introduced, all broker disputes over marketing practices have been resolved without an appeal hearing);
- e) the Board began issuing a monthly newsletter to Board members, covering Board-related matters and upcoming issues, and re-instituted full Board meetings bringing all Board members together to discuss issues before the Board;
- f) a Board website was developed, allowing the public to peruse Board Orders and other documents more easily.

In 2006/07, the Board will continue to explore ways and means to improve regulatory cost effectiveness, public awareness and consumer involvement.

Looking Forward, Major Issues for 2006/07

Electrical reliability

Following the 2003 eastern blackout, the American government acted to better assure electric reliability, particularly with respect to interconnected systems. These systems cross into Canada and the American regulator, the Federal Energy Regulatory Commission (FERC), was provided authority to establish and manage protocols governing electric reliability. To protect Canadian and Manitoba sovereignty, MH has requested that the Board act as the electric reliability regulator in Manitoba, and interface with FERC. Legislative amendments are required.

Payday loans industry and Cashing of Government cheques

The government intends to regulate the payday loan industry, and has indicated an expectation that the Board will set allowable charges and rates for the industry. To allow this to occur, the federal government will cede jurisdiction to the

Province, as currently federal legislation restricts annual interest to 60% including all charges. The industry's clients are largely those members of society with lower wage levels, and in the absence of effective regulation, clients can become involved in an "endless" series of short-term loans, rolling over time after time.

The Board is involved in preparing for this new task, in anticipation of the legislation being proclaimed. Once in place, the Board will hold a hearing at which the Board and registered Interveners will test an "application" or proposal expected to be provided by the industry – the outcome will be approved rates of interest and charges.

In a similar vein, the government is contemplating measures to limit the charges for cashing of federal and provincial government cheques. The Board expects to be asked to set maximums for these charges.

MH matters

The Board will hold a hearing in May 2006 to consider amending the Cost of Service methodology (COSS) for Manitoba Hydro; the COSS being a tool and component of the rate setting process with particular importance for differential rates between customer classes.

With respect to Manitoba Hydro's electricity operations, the Board will also review the interim rate schedule established for diesel zone customers (four northern First Nations' communities). The interim schedule was approved by the Board in support of a tentative settlement related to responsibility between Manitoba Hydro, INAC and First Nations

Preferred Future Model – natural gas safety and Centra Gas

The Board has legislated oversight responsibilities concerning natural gas safety, and has for many years engaged ECI International (an engineering firm) to assist it in meeting its obligations. The annual cost of ECI's services with respect to the oversight of Centra Gas now approximates \$200,000 – it exceeded \$300,000 prior to changes made in 2004, and is expected to fall further.

The Board is prepared to reduce Board's oversight responsibilities and dramatically lower costs once Centra has put in place adequate quality assurance and other safety-orientated practices. The Board has been working with ECI and Centra/MH towards this objective for over a number of years, though further progress is required before the Board will be willing to act. Legislative change is not required to effect the Preferred Future Model, only MH compliance with Board-requirements regarding safety monitoring and assurance measures.

Regardless of the possible delegation of functions to Centra, the Board will and should retain all of its oversight responsibilities concerning natural gas safety with respect to Stittco, SVGC and TransCanada Calibrations, as well as oversight over Centra safety.

Service disconnections

The Board supervises the disconnection activity of natural gas distributors, and because of the moratorium on disconnection from October 1 to May 14 each year there is a substantial number of accounts eligible for disconnection each spring. In 2004, 6,000 accounts were disconnected in Winnipeg and Brandon. Throughout the summer, the disconnected accounts are reviewed, and during each fall a determination is made as to whether the properties should remain disconnected into the next heating season. In doing so, the Board and the utilities are very cognizant of risks faced by customers, especially the elderly, sick and children (given the cold winter conditions and the need for an assumed reliable source of heat.) The Board has a sense that the cost of home heating is at risk of becoming unaffordable for many low-income families, particularly those living in rental properties.

To the extent that an expanded energy conservation program would assist homeowners and landlords, this option requires active consideration. The Board is reviewing the overall issue of low-income customers and high natural gas bills in consultation with Manitoba Hydro/Centra Gas, and recognizes that a full and complete resolution to this problem will require multi-stakeholder consultations.

Cemetery Issues

The Board expects to hold a special hearing to discuss matters arising from its order on the NBI application to enclose its Scattering Garden.

Working in co-operation with the Board of Directors of Embalmers and Funeral Directors, and the department of Consumer and Corporate Affairs, the Board will continue its efforts to modernize the legislation surrounding cemetery and funeral matters.

Driver Safety Rating System

The current system for rewarding good driving habits in premium setting is referred to as the bonus/malus system. It was implemented in the 1980's. The Board expects to be holding a special hearing on a modernized system of driver safety recognition near the end of the 2006/07 fiscal year.

Fee structure

Earlier in this report, it was noted that a new fee structure, specifically in relation to water and sewer utilities, was developed and discussed with the Association of Manitoba Municipalities. The thrust of the revised structure is to enable smaller utilities to approach the Board with rate proposals without facing onerous regulatory charges. The Board hopes to implement the new structure in 2006/07. Part of that revised structure will require the implementation of an annual fee for all municipal water and sewer utilities, except the City of Winnipeg. As the new fee requires an order-in-council, this

portion of the revised structure will only be implemented once approval has been received.

Conclusion and Acknowledgements

I am pleased to report that the Board now has its own website at www.pub.gov.mb.ca. Through the website the public can monitor the Board's activities and obtain on a 24 hour basis decisions of the Board and Notices of significant issues before the Board.

The Board's jurisdiction is not contained only within *The Public Utilities Board Act*; provisions of *The Crown Corporations and Public Review and Accountability Act* and *The Manitoba Hydro Act* also relate to the Board. At some point, it may be worthwhile to consolidate the Board's mandate within one Act, to assist with the public's understanding of the Board's mandate. With respect to that mandate, the utilities that the Board has oversight over are also governed or overseen, in whole or in part, by other agencies. These agencies include the Legislature, Ministers Responsible, the boards of directors for the agencies, Crown Corporations Council, Clean Environment Commission, the Auditor General, Water Stewardship Board, Conservation Manitoba, etc. While the role of these other bodies is significant, it does not reduce the statutory mandates provided to the Public Utilities Board, though the Board is cognizant of the roles played by the other parties.

The Board's fiscal year 2005/06 was challenging and rewarding. The regulatory calendar was and remains full. I want to thank the other Members of the Board, Board Advisors, and Board Staff for their dedication to the work of The Public Utilities Board and its public interest mandate. In particular, I want to thank Ms. Denyse Côté, who left the Board in the summer of 2005, her contributions to Board decisions and governance were most helpful.

We are ever mindful of the public's reliance on the Board for thorough and careful thought related to the matters that come before it; a fair hearing process remains important. The Board has a long history of fulfilling these objectives, and they remain the goals of the Board into the future.

Respectfully submitted,

Graham F.J. Lane, CA

June 09, 2006

STATUTORY RESPONSIBILITIES

The Public Utilities Board (the Board) is an independent quasi-judicial administrative tribunal operating pursuant to *The Public Utilities Board Act* ("the Act"). The Act was enacted in 1959, though the Board has regulated similar public services under other legislation since 1912.

During the fiscal year under review, the Board was responsible for the regulation of public utilities as defined under the Act; namely:

Centra Gas Manitoba Inc. (a wholly owned subsidiary of Manitoba Hydro), Stittco Utilities Man Ltd., Swan Valley Gas Corporation, and municipal water and sewer utilities in the Province, with the exception of the City of Winnipeg's utility.

Pursuant to *The Crown Corporations and Public Review and Accountability Act*, the Board regulates the premiums charged by Manitoba Public Insurance for compulsory auto insurance, related premiums charged on drivers' licences and other fees, as well as Manitoba Hydro's electricity rates. While the Board reviews the financial performance and forecasts of Manitoba Hydro, it does not have authority over the utility's capital expenditure decisions.

Other enactments assigning regulatory or adjudicative responsibilities to the Board are:

The Greater Winnipeg Gas Distribution Act

The Gas Allocation Act

The Prearranged Funeral Services Act

The Cemeteries Act

The City of Winnipeg Act (passenger carrier agreements)

The Manitoba Water Services Board Act (Appeals)

The Highways Protection Act (Appeals)

The Emergency 911 Public Safety Answering Point Act

The Board is also responsible for the administration of *The Gas Pipe Line Act*, and, pursuant to that legislation, authorizes construction and operation of all gas pipe lines in Manitoba. The Board's primary concern in exercising these responsibilities is public safety.

The utilities regulated by the Board have annual revenues exceeding \$3 billion, and serve and affect virtually every Manitoba resident and business.

BOARD MEMBERS AND STAFF

Members of the Board:

Graham F. J. Lane, C.A., Chairman
Robert A. Mayer, Q.C., Vice-Chair
Denyse T. Côté (resigned, summer 2005)
Dr. Leonard Evans
Monica Girouard, C.G.A.
Eric Jorgensen
Dr. Kathi Avery Kinew
Susan Proven, P.H.Ec.
Mario J. Santos, LL.B.

Staff Members:
Officers:

Gerald A. Gaudreau, CMA,
Executive Director and Secretary
Hollis Singh, Associate Secretary
Gerald O. Barron, F.C.G.A, Associate Secretary

Administrative Staff:

Jo-Donna Williamson, Office Manager
Debra Feuer, Secretary to the Chairman
Brenda Bresch, Administrative Secretary

The Chairman is a full-time appointment of the Lieutenant Governor in Council; the other Board members are part-time appointments. Public hearings of the Board are advertised, and applications made by sewer and water utilities where public hearings are not heard are made known to those affected, and Board decisions are communicated to the public. Decisions arising out of ex parte hearings are shared with the affected utilities and interveners, and posted on the Board's website. All Board decisions are available to the public, and are posted on the Board's website. Board members comprise the membership of panels that hear and subsequently decide upon the rate applications and other matters brought before the Board. Board members, staff and advisors are governed by conflict of interest guidelines, to ensure those appearing before the Board receive unbiased and independent judgements. Board decisions may be appealed to the courts, and applications may be made to the Board requesting that the Board reconsider a decision. The Board has adopted Draft Rules of Practice and Procedure, which are made known and are available to consumers, utilities and other interested parties.

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

Accounting:	PricewaterhouseCoopers LLP
Actuarial Science	Eckler Partners LLP
Engineering	Energy Consultants International Ltd. and LAB Consultants
Law	Fillmore Riley and Pitblado

SUMMARY OF BOARD ACTIVITIES

ORDERS ISSUED

	<u>2005/06</u>		<u>2004/05</u>	
Regulated Industry Orders:				
Water and Sewer Utilities				
Applications for amended rates	39		28	
Applications to address deficits	32		41	
General matters, late payment fees	<u>-</u>	71	<u>1</u>	70
Manitoba Hydro				
Electricity operations	57		65	
Centra Gas Manitoba	<u>21</u>	78	<u>11</u>	76
Natural Gas and Propane Utilities and Pipelines				
Swan Valley Gas (consumer rates)		1		1
Stittco Utilities Man Ltd.		1		-
TransCanada Calibrations (safety audit)		-		2
Other Natural Gas				
Service Disconnection*		1		1
General matters, Code of Conduct (brokers)		-		2
Manitoba Public Insurance Corporation		15		6
Highways Protection Act		1		3
The Cemeteries Act		<u>-6</u>		<u>-1</u>
Total number of Orders issued		<u>174</u>		<u>160</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. * Approximately 6,000 natural gas service disconnections occurred in Winnipeg and Brandon during the fiscal year under review, 99% of these properties were reconnected subsequent to payment arrangements having been made. The Board works co-operatively with Manitoba Hydro/Centra Gas to ensure that health and safety concerns are addressed and remain the highest priority in these matters. Only in one case was a Board Order required to direct a reconnection.

SUMMARY OF BOARD ACTIVITIES

LICENCES ISSUED

	2005-06	2004-05
Direct Purchase of Natural Gas		
Brokers	11	12
The Cemeteries Act		
Cemeteries, renewal	11	11
Initial licensing	-	1
Columbariums	17	17
Mausoleums	5	5
Crematories	16	16
Agents	121	73
Agent Transfer	<u>10</u>	<u>3</u>
	180	126
The Prearranged Funeral Services Act		
Renewal	22	22
Initial licensing	-	1
	<u>22</u>	<u>23</u>
Total licenses issued	<u>213</u>	<u>161</u>

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

FINANCIAL INFORMATION
Fiscal Year Ended March 31, 2006

Revenue and expenses related to Board operations and Board decisions are recorded in the accounts of the Consolidated Fund of the Province of Manitoba and the utilities regulated by the Board. The Board incurs costs to its own account, and recovers these costs through statutory levies against Manitoba Hydro, Centra Gas and Manitoba Public Insurance, and fees charged to other regulated utilities. The Board directs the utilities to pay the costs of Board advisors and, upon a Board Order awarding costs, all or a portion of the costs incurred by interveners to its hearings.

	(\$000'S)			
	<u>2005/06</u>		<u>2004/05</u>	
Levies, Direct and Indirect (\$000)				
General Board Levies on Manitoba Hydro with respect to:				
a) electricity; and	\$ 314		\$318	
b) gas operations	<u>623</u>	937	<u>647</u>	965
Costs of Board Advisors, paid by Manitoba Hydro:				
a) electricity; and	432		676	
b) gas operations	<u>883</u>	1,315	<u>709</u>	1,385
Costs of Intervenors, paid by Manitoba Hydro:				
a) electricity; and	98		115	
b) gas operations	<u>223</u>	<u>321</u>	<u>88</u>	<u>203</u>
Aggregate Board levies on Manitoba Hydro consolidated		2,573		2,553
Levies on Manitoba Public Insurance Corporation (MPI), with respect to:				
General Board Levies on MPI	315		312	
Costs of Board Advisors, paid by MPI	414		311	
Costs of Intervenors, paid by MPI	<u>248</u>		<u>103</u>	
Aggregate Board levies on MPI		977		726
Levies on:				
Stittco Utilities Man Ltd.	18		20	
Swan Valley Gas Corporation	5		7	
Water & Sewer Utilities	22		4	
Fees related to cemetery and funeral related activities	29		16	
Natural Gas Brokers	6		8	
Other fees	<u>0</u>	<u>80</u>	<u>15</u>	<u>70</u>
		<u>\$3,630</u>		<u>\$3,349</u>
Board Expenditures, Direct and Indirect (\$000)				
Direct costs of the Board:				
Salaries and Per Diems	599		711	
Rate regulation and safety related costs	231		247	
General overheads (rent, technology, utilities, etc.)	<u>210</u>	1,040	<u>287</u>	1,245
Board Advisor Costs, billed to regulated utilities		1,729		1,696
Intervenor costs billed to regulated utilities		<u>569</u>		<u>306</u>
Aggregate costs related to Board operations and directions		<u>\$3,338</u>		<u>\$3,247</u>

The above reporting of costs and revenues does not include costs incurred by the regulated utilities with respect to their own direct costs associated with regulatory processes. Such costs include salaries and benefits, notice expenditures, consultants and overheads.