2017/18, 2018/19
General Rate Application
Manitoba Hydro
Opening Comments
Challenging times for Manitoba Hydro

• 7.9% is an exceptional rate request
• These are exceptional circumstances
• This request is not made lightly
• We cannot afford to avoid or defer coming to terms with realities of the finances of Manitoba Hydro
Key Issue - Debt and Cash Flow

• Manitoba Hydro does not have enough cash to pay its operating expenses, manage its risks and pay its interest expense

• Managing risks includes being able to weather a drought and cope with a rise in interest rates

• Counting on above average water flows and Depression era interest rates is not the answer

• It is incumbent upon all of us to get this right
Key Issue – Debt and Cash Flow

- When debt is a problem you change your behavior - cut costs and increase revenues
- Manitoba Hydro has undertaken significant cost control measures
- Manitoba Hydro cannot grow itself out of this predicament
- The only other tool in the tool box is rate increases
Key Issue – Debt and Cash Flow

• Currently 40 cents of every domestic revenue dollar is applied to finance expense
• 40 cents does not include interest expense associated with major projects
• Bipole III is 9 months away and will add $205 million annually to interest expense
Key Issue – Debt and Cash Flow

• 2024:  @3.95% - 63% of domestic revenue is applied to finance expense
@7.9% - 45% of domestic revenue is applied to finance expense
Voluminous Amounts of Information on the Record

• To date, there has been over 32,000 pages of information filed in this proceeding

• The key issue is straightforward: Does Manitoba Hydro have enough revenue to operate the business, manage its risks, and pay its finance expense?

• Manitoba Hydro has identified key pieces of evidence which it believes will assist the Board in focusing on the issues to be determined in this GRA
Assessing the Evidence

• Will the perspective being promoted provide Manitoba Hydro with enough cash to operate the business, manage its risks and pay its finance expense?

• Resist the temptation to be distracted by issues or debates which have little or no impact on the need for rate increases now

• Ask – who benefits from addressing the issue as suggested and does it balance the interests of ratepayers with those of the utility?

• Is the information being presented on a consistent, "apples to apples” basis. Are the assumptions valid?
Manitoba Hydro’s Answer

• Carefully listen to Intervenor’s evidence, their answer is to shift this burden unfairly to ratepayers of the future
• A 7.9% rate increase fairly shares the burden between today’s ratepayers and those of the future
• It’s in everyone’s best interest that Ratepayers understand the reason for this rate increase
Affordability

• Manitoba Hydro knows this rate increase will have a serious impact on its ratepayers who experience energy poverty, including many of our Indigenous customers

• This is an issue that requires many parties working together to find meaningful solutions

• Today’s reality is that we have a choice between rate increases today or even larger rate increases in the future – that is why we need to get this right.