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July 26, 2018

Mr. D. Christle  
Secretary and Executive Director  
Public Utilities Board  
400-330 Portage Avenue  
Winnipeg, Manitoba  
R3C 0C4

Dear Mr. Christle:

**RE: DIRECTIVE 29 OF ORDER 59/18 AND DIRECTIVE 8 OF ORDER 90/18**

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On July 13, 2018, the Public Utilities Board of Manitoba (“PUB”) issued Order 90/18 directing Manitoba Hydro to provide, within two weeks of the Order, its position on when Directive 29 of Order 59/18 can be completed for filing with the next General Rate Application. Directive 29 of Order 59/18 requires *“Manitoba Hydro file with the next GRA a time-of-use rate design proposal, including the results of consultation undertaken with General Service Large customers prior to filing the proposal with the Board.”*

Order 59/18 contemplates Manitoba Hydro developing a time-of-use (“TOU”) rate design proposal that is based on further analysis in the context of the updated marginal cost values as well as consultation with General Service Large customers<sup>1</sup>.

As outlined in its Review and Vary application dated May 30, 2018, Manitoba Hydro’s position is that the technical conference to establish rule-based guidance in the consideration of future rate increases, which is the subject of the PUB’s Directive 9 from Order 59/18, should also take place prior to its next GRA in order for Manitoba Hydro and other parties to receive definitive guidance from the PUB on the shorter term and longer term financial objectives the PUB sees as reasonable and appropriate with respect to Manitoba Hydro’s financial condition. Notwithstanding the clarification provided by the PUB in Order 90/18 with respect to the intent of Directive 9, Manitoba Hydro remains of the view that it cannot develop a meaningful financial plan and associated rates to underpin a GRA filing absent an understanding of the financial targets that will be relied upon by the PUB. As such, the timing of Manitoba Hydro’s next electric GRA is dependent upon the findings of the technical conference.

Manitoba Hydro intends to pursue development of a TOU rate proposal, consistent with Directive 29, but proposes that this rate design initiative be advanced under its own specific timeline. Manitoba Hydro plans to engage its large industrial customers directly in the development of this rate design

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<sup>1</sup> Order 59/18 dated May 1, 2018 at p. 208.

(both those represented by the Manitoba Industrial Power Users Group (“MIPUG”) and those who are not), and sufficient time must be afforded for this engagement process to provide meaningful results.

In its June 18, 2018 reply submission to Manitoba Hydro’s Review and Vary Application, MIPUG acknowledged the challenges associated with Directive 29 whereby it agreed that exploring a Time of Use rate should be priority; however, this may be disadvantaged by the need to have such rate design fully concluded, including consultation, by the time of filing Hydro’s next GRA (page 11).

Furthermore, implementation of a rate design change such as a TOU proposal could be undertaken independent of the implementation of a rate change stemming from a GRA. Such an implementation has the advantage of enabling customers to understand their bill impacts of the rate design change separate and apart from the effect that may arise from a concurrent rate increase or cost of service related class revenue rebalancing adjustment.

Manitoba Hydro’s intended process to develop its TOU rate proposal includes the development of various rate design options which would then form the basis for customer consultation to evaluate and identify the most appropriate option to be advanced for approval.

The PUB acknowledged in Order 59/18 that the Corporation requires time to review and develop a TOU rate design proposal that is reflective of its current environment and circumstances<sup>2</sup>. Manitoba Hydro has embarked on an internal review process to analyze and further study the key inputs and considerations underlying its TOU rate proposal. This analysis will include a review of the updated marginal cost values, the level of rate differentiation between on-peak and off-peak energy, and the appropriate amount of revenue to be collected from energy and demand charges considering the outcomes of the cost of service methodology arising from Order 164/16. The Corporation expects this review and the development of updated TOU rate design options to be completed by the end of September, 2018.

Commencing in August, Manitoba Hydro will contact each large industrial customer that would be subject to the rate proposal to solicit their participation and confirm their availability to participate in the engagement process to be scheduled later this fall.

Manitoba Hydro anticipates embarking on a customer engagement process in October 2018. Initially, Manitoba Hydro would propose to host a kick-off meeting in early October that would include all customers that may be subject to the TOU rate proposal and representatives of MIPUG and its consultant (i.e. InterGroup Consultants). Manitoba Hydro would also invite PUB staff and advisors to attend on an observer basis, if they so choose. The meetings will be focused on discussing the needs of impacted customers and Manitoba Hydro as they relate to the formulation and implementation of a TOU rate structure.

After the kick-off meeting, individual customer meetings will be scheduled. In these private meetings, Manitoba Hydro would present potential rate design options and information on potential bill impacts for each customer specific to their plant operations. Customers would be afforded the time to review these options and impacts and be given the opportunity to share their views and raise any issues specific to their individual circumstances for consideration in the further development of the TOU rate design proposal.

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<sup>2</sup> Order 59/18 dated May 1, 2018 at p. 208.

The timing associated with customer consultation will depend on the availability, interaction and feedback received from customers; however, Manitoba Hydro anticipates that at least four months would be required and accordingly, would target to conclude the consultation process by the end of January, 2019. At the conclusion of the process, a final public meeting of all participants to review the findings from the consultations and to explore the next steps to be followed in advancing the rate design proposal.

Upon completion of the customer consultation process, Manitoba Hydro would present a recommended TOU rate design proposal to the Manitoba Hydro-Electric Board ("MHEB") for approval. Manitoba Hydro anticipates the earliest a proposal could be reviewed with the MHEB to be late February 2019; however, given recent announcements with respect to the retirement of Manitoba Hydro's CEO and changes to the current membership of the MHEB, the timing of MHEB meetings may change. Manitoba Hydro will advise the PUB of any significant changes with respect to the anticipated timelines to review a TOU rate design proposal should they arise.

Once approved by the MHEB, Manitoba Hydro would be in a position to file its proposal with the PUB. Manitoba Hydro would anticipate that the PUB's review of its proposal could proceed by way of a written public review process, independent of an electric GRA.

Should you have any questions with respect to this submission, please contact the writer at 204-360-3633 or Liz Carriere at 204-360-3591.

Yours truly,

**MANITOBA HYDRO LEGAL SERVICES DIVISION**

Per:



**ODETTE FERNANDES**  
Barrister & Solicitor