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February 21, 2019

Public Utilities Board of Manitoba  
400-330 Portage Avenue  
Winnipeg, MB R3C 0C4

**Attention: Kurt Simonsen**

Dear Mr. Simonsen

**Re: Manitoba Hydro 2019/20 General Rate Application: Manitoba Hydro  
Supplemental Information and Revised Responses to PUB IRs**

### Overview

On February 14, 2019, Manitoba Hydro filed evidence suggesting a dramatic \$84 million positive swing in its forecast net income for 2019/20, as compared to the information on which its request for a 3.5% rate increase and for an expedited process to consider the 3.5% rate increase was based.<sup>1</sup> For many Manitobans, the \$84 million revision to Hydro's forecasts may raise fundamental questions about the necessity for an expedited process or for a rate increase of the magnitude currently proposed by Manitoba Hydro.

For interveners in the rate application, such as the Consumers Coalition, the fundamental revision in Manitoba Hydro's forecasts raises the issue of whether there is an appropriate evidentiary basis for interveners to prepare their evidence or for the Public Utilities Board to make an informed determination in the public interest.

Accordingly, the Consumers Coalition is bringing a motion to amend the hearing process by requesting:

- that Manitoba Hydro be ordered to update all responses to the PUB information requests (IRs);
- that the Coalition be allowed to file revisions to a modest number of its information requests, which were either rendered moot, inaccurate or incomplete based on the new information filed; and
- that the timetable be amended to allow for: one additional week for Manitoba Hydro to file revised responses to PUB IRs and responses to Intervener IRs, one additional week for Intervener evidence and the elimination of the Second Pre-Hearing Conference.

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<sup>1</sup> See Manitoba Hydro 2019/20 Electric Rate Application, November 30, 2018, p 2.

### **Information Filed by Manitoba Hydro on February 14, 2019**

The Consumers Coalition is in receipt of the following documents from Manitoba Hydro, which were provided electronically on February 14, 2019:

- Supplement to Manitoba Hydro's 2019/20 rate application;
- Appendix 1 Updated – Financial Statements for 2017/18 to 2019/20;
- Appendix 10 Updated – Proof of Revenue for the Year Ended March 31, 2020;
- Appendix 14 – Update to Figures 2.4 and 2.5;
- Revised Public Utilities Board of Manitoba Information Requests (IRs); and
- Appendix 15 – 2018 Electric Load Forecast.

The Supplement to Manitoba Hydro's 2019/20 rate application provides an update to financial information following the Manitoba Hydro-Electric Board approval of the 2019/20 budget on February 12, 2019.<sup>2</sup> While Manitoba Hydro was initially projecting a net income of \$31 million for 2019/20 with a 3.5% rate increase, it is now projecting a net income of \$115 million, a difference of \$84 million.<sup>3</sup> According to Manitoba Hydro, this improvement in financial results is due to “higher net export revenues resulting from improved water flow conditions, as well as lower levels of capital spending than planned in 2018/19 and the associated lower borrowing requirements and finance expense.”<sup>4</sup>

Manitoba Hydro has updated the 2018/19 Outlook and the 2019/20 Interim Budget from the original Application to reflect actual financial results and water flow conditions to December 31, 2018, and planning assumptions for the:

- 2018 Load Forecast;
- Preliminary update to planned 2019/20 Demand Side Management expenditures and activities;
- December 2018 consensus forecast of interest and U.S. exchange rates, 2018/19 and 2019/20 projected capital expenditures; and
- Short-term forecast of export prices at December 31, 2018.

The revised responses to the PUB IRs are limited to updating responses to information requests based on Manitoba Hydro's third quarter results, as follows:

- PUB/MH I-7bU – Includes the Q3 Quarterly Report and corresponding details of the income statement and statement of cash flows for the quarter ending December 31, 2018;
- PUB/MH I-15U– Includes Manitoba Hydro's Quarterly Report on Operating & Administrative Expenses (“O&A”) for the quarter ended December 31, 2018; and,
- PUB/MH I-54U – Manitoba Hydro's quarterly reports on Major New Generation & Transmission capital projects for the quarter ended December 31, 2018.<sup>5</sup>

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2 Supplement to the Application, p 1.

3 Supplement to the Application, p 2.

4 Supplement to the Application, p 2.

5 See MH to PUB re 2019-20 Electric Rate Application PUB Information Request Responses, February 14,

The responses to the PUB IRs have not been updated to account for the Supplement to the Application filed on February 14, 2019.

### **Accuracy of Information on the Record**

The Consumers Coalition raises concerns regarding the accuracy and completeness of the information filed by Manitoba Hydro on the record of this proceeding. Specifically, while Manitoba Hydro has provided updated information in the Supplement to its Application, key information identified in the PUB IRs has not been consequently updated.

Manitoba Hydro's 2019/29 General Rate Application is not as detailed as normally provided for a GRA. As a result, a key element of the current Application consisted of the variance explanation regarding the changes since the last GRA, as it provided a basis for assessing the reasonableness of the current Outlook. In doing so, Manitoba Hydro used Exhibit 93 from the last GRA as the basis for comparison.

A number of the PUB interrogatories sought additional details, both in terms of the breakdown of the changes in cost and supporting explanations, as did the Coalition IRs. However, the Supplement recently filed by Manitoba Hydro and which significantly changed the outlook for both 2018/19 and 2019/20 did not include the same level of comparative detail vis-à-vis the last GRA. As a result, the explanations regarding the changes provided in the original Application and the PUB IR responses may or may not still be relevant and the supporting breakdowns provided do not reconcile with the updated Outlook. The result is that reasons for the changes in the outlook from the GRA are no longer as evident.

Examples of PUB IRs which have not been updated based on the Supplement to the Application (several of which are basis for Coalition IRs) include:

- PUB I-10 – which sought additional details regarding the changes in the additions to and amortization of regulatory deferral accounts that underpinned the changes in Net Movement since the last GRA. The forecast Net Movement for 2019/20 has changed materially (over \$30 M) in the Supplement.
- PUB I-12 - which sought additional details regarding the change in Other Expenses since the last GRA. The forecast for 2019/20 provided in the Supplement has changed by over \$35 M.
- PUB I-35 – which sought additional details regarding the change in Finance Expense since the last GRA. The forecast for 2019/20 provided in the Supplement has changed by over \$20 M.
- PUB I-45 – which sought additional details regarding the change in Net Export Revenues since the last GRA. The forecast for 2018/19 Export Revenues (a key determinant of Net Export Revenues) has changed by \$40 M.<sup>6</sup>

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2019, p 1. Manitoba Hydro also provided revised responses to PUB/MH I-13 a)R and PUB/MH I-14a)R to include a correction to Capitalized Labour and Other costs for 2018/19.

6 Other examples of IRs which have not been updated include, but are not limited to: PUB/MH I-25 a); PUB/MH I-29 c); PUB/MH I-50 a) & b).

In turn, the lack of updates in the PUB IRs raises concerns regarding Manitoba Hydro's responses to Intervener IRs, many of which were based on the responses to the PUB IRs.<sup>7</sup>

In order for parties to meaningfully participate in this proceeding, the evidentiary record must be accurate and up-to-date. The fundamental revision in Manitoba Hydro's forecasts raises the issue of whether there is an appropriate evidentiary basis for interveners to prepare their evidence or for the Public Utilities Board to make an informed determination in the public interest. While Manitoba Hydro has updated its Application, many of the responses to the PUB IRs, which represent key information requested by the PUB and relied upon by Interveners, are now outdated.

### **Proposed Remedies**

To ensure that key information relating to changes since the last GRA and the basis for assessing the reasonableness of this application is as accurate and up-to-date as possible, the Consumers Coalition proposes the following:

- Manitoba Hydro should update its responses to all the relevant PUB IRs, consisting of all the IRs where the response would change based on the information filed on February 14, 2019. It is the position of the Consumers Coalition that Manitoba Hydro is best placed to identify the relevant IRs that need to be updated based on the new information. While the Consumers Coalition could update the PUB IRs that it considers important using the new information filed by Manitoba Hydro, this would represent a less precise and more costly option.
  - In the alternative, should Manitoba Hydro not be required to update all the relevant PUB IRs, the Consumers Coalition would ask that Manitoba Hydro update the IRs that were referenced in the Interveners IRs, as these IRs represent priority information from the perspective of parties involved.
- The Consumers Coalition requests the opportunity to file revisions to a modest number (approximately eight) of its information requests, which were either rendered moot, inaccurate or incomplete based on the new information filed. In other words, rather than oblige Hydro to respond to IRs which are outdated based upon updated evidence, this would repose the questions in the original information request to respond to the material change in circumstances.<sup>8</sup> The Coalition would propose to file revisions to these IRs by Friday February 22, 2019.
- To accommodate the need to update the PUB IRs based on the new information filed by Manitoba Hydro, the Consumers Coalition proposes that the timetable could be amended as follows:
  - The existing deadline of February 28, 2019 to file Manitoba Hydro Response to Intervener IRs be replaced with a deadline of March 7, 2019 for Manitoba Hydro to file revised responses to PUB IRs and responses to Interveners IRs;

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<sup>7</sup> See for example: Coalition/MH I-1, I-6, I-8, I-14, I-15, I-22, I-30, I-33.

<sup>8</sup> See Coalition/MH I-1, I-6, I-8, I-14, I-15, I-22, I-30, I-33. These IRs refer directly to information in the Application or to PUB IRs which have now been updated.

- The deadline of March 13, 2019 for Intervener Evidence be modified to March 20, 2019 to allow sufficient time to review the revised responses to PUB IRs and the responses to Intervener IRs; and
- The Second Pre-Hearing Conference of March 20, 2019 be eliminated with the possibility of being replaced with a paper process regarding the issues in scope for the oral evidentiary hearing, if necessary.

The Consumers Coalition notes that ideally, it would wait until the revised responses to PUB IRs are filed before revising its own IRs given the fact that many of its IRs were based on PUB IRs. However, to protect the timetable identified in PUB Procedural Order 1-19, we are only suggesting to modify a modest number of IRs concurrently with Manitoba Hydro's preparation of the revised responses to PUB IRs.

The Consumers Coalition also wishes to flag that the new information may have impacts on its budget, as it represents an additional step that was not anticipated in the timetable established in PUB Procedural Order 1-19. As required by the PUB, we are monitoring our budget and will advise the PUB in early March should we require an increase to the estimate filed in January 2019.

Please do not hesitate to contact the undersigned at 204-985-5220 or Byron Williams at 204-985-8533, should you have any questions.

Yours truly,



Katrine Dilay  
Attorney  
KD/ab

cc: Board Counsel  
Manitoba Hydro  
Interveners