

February 22, 2019

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

Dear Mr. Christle:

**RE: MANITOBA HYDRO –2019/20 ELECTRIC RATE APPLICATION – COALITION MOTION**

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Manitoba Hydro is in receipt of the motion to the Public Utilities Board (“PUB”) dated February 21, 2019 from the Public Interest Law Centre on behalf of the Consumers Coalition (“Coalition”). While Manitoba Hydro has not had an opportunity to fully assess the impact of the Coalition’s motion and proposed remedies, Manitoba Hydro has received the PUB’s direction that comments should be filed by noon on February 22, 2019 and offers the following comments for the PUB’s consideration.

**Background**

On November 12, 2018, Manitoba Hydro wrote to the PUB advising that it intended to file an application for the 2019/20 fiscal year on the basis of its 2018/19 Outlook and 2019/20 Interim Budget approved by the Manitoba Hydro-Electric Board (“MHEB”) on October 26, 2018 seeking approval of a rate increase to be effective April 1, 2019. Manitoba Hydro advised that there would be no integrated financial forecast or long term financial plan available as it was being reviewed by the MHEB. In its November 21, 2018 letter, the PUB advised that it was willing to consider the one-year rate increase recognizing that the application would be based on financial information for the 2018/19 and 2019/20 fiscal years, including the information listed in Manitoba Hydro’s November 12<sup>th</sup> letter. It was accepted by the PUB that the review currently before it would not include a long term financial plan or a long term forecast and the PUB explicitly excluded Manitoba Hydro’s long term financial forecast and plan from the scope of this proceeding in Order 1/19.

Recognizing the PUB’s desire for the most recent information available, Manitoba Hydro made a supplemental filing on February 14, 2019, which provided an update to financial information

following the MHEB's approval of the 2019/20 budget (the "Supplement"). The information filed in Manitoba Hydro's Application was updated to reflect actual financial results and water flow conditions to December 31, 2018 as well as updated planning assumptions. While the update shows an improvement in financial projections, Manitoba Hydro has noted that if the requested rate increase is approved, the projected net income on a cumulative basis over the period 2017/18 through 2019/20 will still be lower than what was projected in Exhibit 93 filed in the 2017/18 & 2018/19 General Rate Application ("Exhibit 93"). While Manitoba Hydro is not currently projecting a loss in the 2019/20 fiscal year, the Supplement clearly demonstrates the extreme variability in earnings Manitoba Hydro can experience over a short period of time demonstrating that the requested rate increase is in the public interest.

### **Use of Exhibit 93**

The Coalition has raised Manitoba Hydro's use and reference to Exhibit 93 and suggests that the comparison for the variance analysis is not as detailed as normally provided for in a General Rate Application. The 2017/18 & 2018/19 GRA was based on a proposed 7.9% rate path which was explicitly rejected by the PUB and as a result will not form an appropriate basis for comparison. Further, in its letter of November 21, 2018, the PUB specifically directed that Manitoba Hydro include the update of financial information for the 2019/20 test year contained in Exhibit 93 as it reflected the PUB's directives in Order 59/18.<sup>1</sup> The comparison to Exhibit 93 appears to have been an acceptable comparison to the PUB for purposes of Manitoba Hydro's Application in November 2018 and the information provided in Manitoba Hydro's Supplement filed on February 14, 2019 provides the same level of detail. The information filed to date by Manitoba Hydro permits the comparison of Exhibit 93 to the Application, and the Application to the Supplement, each in the same level of detail.

### **Coalition Motion Regarding Information Requests to be Updated**

The Coalition has requested that "Manitoba Hydro be ordered to update all responses to the PUB information requests".<sup>2</sup> That request is subsequently modified or qualified with the proposal that Manitoba Hydro update "all the relevant PUB IRs", which they define as those where the response would change based on the information filed in Manitoba Hydro's Supplement. Manitoba Hydro has been in communication with PUB staff to identify which PUB IRs should be updated based on the Supplement filed on February 14, 2019. As noted in the letter to the PUB accompanying the Supplement filing, Manitoba Hydro will provide responses to IRs from Intervenors based on the information and assumptions underlying the 2018/19 Current Outlook and the 2019/20 Approved

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<sup>1</sup> Letter from the Public Utilities Board dated November 21, 2018, pg. 2

<sup>2</sup> Letter from the Public Interest Law Centre, dated February 21, 2019, pg. 1

Budget contained in the Supplement and appendices.<sup>3</sup> Manitoba Hydro is therefore confident that the record that will be before the PUB upon filing of the responses to Intervenor IRs and selected updated PUB IRs will be accurate, up-to-date and sufficient for the PUB to meet its statutory duty to determine rates that are in the public interest.

While Manitoba Hydro is presently assessing which PUB IRs will require an update, it does not propose to update PUB IRs which comment on policy positions of the Corporation, those which do not reflect fundamental changes or material differences including those which deal with operating and administrative costs as those remain unchanged from the Interim Budget to the Final Budget approved by the MHEB on February 14, 2019. Manitoba Hydro further expects that some information being filed in response to Intervenor IRs will provide updated information to the PUB IRs and Manitoba Hydro will attempt to cross reference those responses.

The Coalition has also requested the opportunity to “file revisions to a modest number (approximately eight) of its information requests which were rendered moot, inaccurate or incomplete based on the new information filed”.<sup>4</sup> As has been noted above, Manitoba Hydro will be responding to Intervenor IRs using the information filed in the Supplement of February 14, 2019. Without knowledge of the specific IRs which the Coalition proposes to update it is difficult to provide specific comment, however generally, Manitoba Hydro does not expect the Supplement necessitates a requirement to file revisions to IRs as the information which will be provided in response will address and incorporate the updated information.

#### **Requested Revisions to the Timetable**

The schedule approved by the PUB in Order 1/19 contemplates a review process in excess of five months in duration with full participation by Intervenors. The process contemplates steps included in a typical review process, including Intervenors filing information requests (IRs) of Manitoba Hydro’s evidence and filing Intervenor evidence in response. During the Pre-hearing Conference on December 19, 2018, parties made submissions which resulted in a schedule being included in Order 1/19. Based on the submission of the parties, the PUB timetable contemplated less than three weeks to respond to the Intervenor IRs. Manitoba Hydro has been working diligently to respond to all IRs in addition to managing other workload priorities. In addition, the requirement to update responses to PUB IRs already submitted will present an additional demand on the time of those same employees. Manitoba Hydro will use its best efforts to provide both the updated responses to PUB IRs and responses to Intervenor IRs by March 7, 2019, the date proposed by the Coalition in its motion.

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<sup>3</sup> Letter from Manitoba Hydro attaching the Supplement to the 2019/20 Electric Rate Application, dated February 14, 2019, pg. 1

<sup>4</sup> Letter from the Public Interest Law Centre, dated February 21, 2019, pg. 4

Manitoba Hydro concurs with the Coalitions suggestion that the time for filing of Intervenor evidence be extended to March 20, 2019, with the understanding that the bulk of the responses to Intervenor IRs and updated PUB IRs will be filed by Manitoba Hydro by March 7, 2019. If the revisions as proposed are made to the schedule, Manitoba Hydro submits that the remainder of the schedule can be adjusted to enable IRs of Intervenor Evidence to be filed on or about April 3, 2019; Intervenor responses to IRs to be received on April 12, 2019 and Manitoba Hydro's Rebuttal Evidence to be filed on or about April 17, 2019. Manitoba Hydro notes that the need to expend additional time filing responses to a higher than anticipated number of Intervenor IRs and the time necessary to update responses to PUB IRs may have implications for the schedule for the Centra Gas Manitoba Inc. GRA process currently underway as many of the staff which are required to prepare the Centra updated information are the same staff who will continue to be engaged in preparing IR responses in the Hydro process. Centra Gas will communicate with the PUB should a concern arise with the schedule.

Finally, the Coalition has suggested that the second Pre-Hearing Conference of March 20, 2019 be eliminated or replaced with a paper process. Manitoba Hydro understands that the purpose of the second pre-hearing conference contemplated by the PUB was to determine whether an oral evidentiary hearing is required in the consideration of this Application, and if so, to determine what issues will be addressed in the oral hearing. Manitoba Hydro views the PUB's direction on these matters to be critical to the process, particularly in light of the PUB's stated intention (in its November 21, 2018 correspondence) to make a determination as to the request such that any rate increase can be effective in the first quarter of fiscal year 2019/20, and the findings in Order 1/19 that a decision on the process for an oral evidentiary hearing and final submissions will be made following the filing of Intervenor evidence.<sup>5</sup> Accordingly Manitoba Hydro views some process, either in the form of an oral Pre-Hearing Conference or a paper process to be necessary.

Should you have any questions with respect to the foregoing, please do not hesitate to contact the writer at 204-360-3633 or Marla Boyd at 204-360-3468.

Yours truly,

**MANITOBA HYDRO LEGAL SERVICES DIVISION**

Per:



**ODETTE FERNANDES**  
Barrister and Solicitor

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<sup>5</sup> PUB Order 1/19, pg. 13