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

Attention: Rachel McMillin, Associate Secretary

Dear Sirs/Mesdames:

Re: Written Submissions
Manitoba Hydro and Centra Gas Manitoba Inc.
Proposal for a Combined Electric and Natural Gas
General Rate Application in the Fall of 2022
Our Matter No. 0186495 AFH

The Manitoba Industrial Power Users Group ("MIPUG") and Industrial Gas Users ("IGU") are in receipt of the Manitoba Public Utilities Board ("PUB or Board") letter of April 26, 2022, requesting feedback and comment on Manitoba Hydro's letter proposal of April 11, 2022. In its letter, Manitoba Hydro ("Hydro") seeks the Board's consideration of a combined process for submission and review of the Crown Corporation's General Rate Applications ("GRA") to adjust electric and natural gas rates, along with a request to review and vary Board Order 85/13.

We have received and reviewed the comments provided by the Coalition and CAC and are generally supportive of the points raised in their response.

The review and vary request submitted by Hydro refers to an adjustment of the 12-month notice period required under Order 85/13 for filing a combined electric and natural gas GRA. Manitoba Hydro is seeking revision to the notice period specified under Order 85/13 to allow for a combined electric and natural gas GRA to be filed by November 15, 2022. The November 2022 date is specified in Board Order 9/22 as the deadline for filing a comprehensive electric GRA aimed at setting electric rates for 2022/23 (and 2023/24 if Hydro



so chooses) and finalizing interim rates for 2021/22 that came into effect on January 1, 2022, per Orders 137/21 and 140/21.

In its April 26, 2022, letter, the Board requested comments from Interveners on the advantages and disadvantages of a combined GRA process and the stated request by Manitoba Hydro to review and vary the 12-month notice period specified in Board Order 85/13. The accompanying submission is intended to reflect the comments of both MIPUG and IGU, representing the members' interests and priorities for electric and natural gas rates respectively.

In short, MIPUG and IGU see potential benefits to the suggestions raised by Hydro in normal times, where outstanding issues and directives are fully resolved, and the utility is compliant with the prior Orders of the Board. That is however not the case at present, leading to concern over how a combined process may overlook serious matters specific to both electric and natural gas rates and rate setting practices.

Recognizing the monopoly status of Manitoba Hydro and Centra Gas Manitoba ("Centra") for supply and delivery of energy resources to Manitobans, MIPUG and IGU members raise the following as key priorities for addressing a combined GRA process:

- 1) An independent and transparent regulatory process that supports effective and efficient regulatory outcomes for determination of cost-based rates that are fair, reasonable, stable, and predictable, while adequately addressing the specific differences and priorities for electric and natural gas ratepayers.
- 2) A sincere and conscientious effort on the part of Manitoba Hydro and Centra Gas Manitoba to address outstanding directives from prior Orders of the Board, which left unresolved will result in a complex and ineffective regulatory process if combined. It is the view of both MIPUG and IGU that the abbreviated notice period requested by Manitoba Hydro will not provide sufficient time or process to address the outstanding directives or engage in the necessary consultation with stakeholders that the Board envisioned in Orders 58/13 and 59/16.
- 3) The need for oral hearings where there are issues of credibility or parties opposing the applications that lack the capacity or resources to participate effectively in writing. Based on the unresponsiveness of Hydro (and Centra) through prior written processes encompassing the Coalition Application for a Manitoba Hydro Status Update, 2021/22 Interim Electric Rate proceeding (and accompanying Review and Vary Application), and current Centra 2021 Cost-of-Service Study review, there are demonstrated examples where a lack of credibility and cooperation exists on the part of the utility. These deviations from transparent and effective regulatory processes can only be addressed through oral hearings and cross-examination of witnesses under present



circumstances.

- 4) A necessary reversal from the continued resistance and litigious posture displayed by Hydro (and Centra) towards the decisions of the Board, along with the filing of complete rate applications, inclusive of the necessary information in sufficient depth and detail to consider rates and related matters fairly and transparently over the short, medium, and long-term.
- 5) The immediate need to address electric and natural gas specific matters without the distraction of a combined rate proceeding, most notably the need to complete a comprehensive review of Manitoba Hydro rates and long-term financial projections in the context of the first comprehensive GRA filing in more than six years (due November 15, 2022), and in the case of gas, the first implementation of material changes to Centra's COSS methodology.
- 6) The adequacy of the proposed notice period suggested by Hydro (approximately 6 months) in its request to review and vary Board Order 85/13 calls into question the effectiveness of the process for establishing scope and minimum filing requirements for addressing the ongoing concerns and information requirements raised by the Board and Interveners in prior proceedings. It is improbable that Hydro can adequately address the concerns of the Board and Interveners prior to filing of a combined rate application, resulting in distractions from high priority and overdue electric matters.

In the view of MIPUG and IGU, these are material concerns, with incomplete and outstanding resolutions, that continue as priorities for members. Failure to resolve these priority concerns directly impedes the ability of the Board to act as an independent regulator with the scope and authority to balance the interests of both ratepayers and the utility. Contrary to Hydro's assertions, it does not appear logical to propose an expedited process for setting the scope and process of a combined rate proceeding based on unsubstantiated and potentially over-stated benefits using abbreviated processes that have not functioned to the satisfaction of the Board and Interveners in recent proceedings.

The Board faces a situation where Manitoba Hydro has not filed a comprehensive and complete GRA on electric matters since the 2017/18 GRA, which was itself limited by failure to include full O&M budgets and address outstanding directives and initiatives, such as the making of measured and incremental developments for more appropriate long-term financial targets applicable to Hydro and rate setting matters, such as optional time-of-use rates for industrial customers. Since that time there has been one abbreviated proceeding in 2019/20, and two subsequent interim rate approvals, one through legislation in 2020/21 and another through a highly expedited process in 2021/22 based on a narrow scope absent of substantive information and materials necessary for a comprehensive determination of whether rates are fair and reasonable under present circumstances.



In addition to these electric rate challenges, the Board is presently facilitating a Cost-of-Service Study Review in respect to the first major change in the proposed methodology for natural gas cost allocations in more than two decades. Centra has already expressed resistance to information requests and filing requests that are common in other jurisdictions undertaking similar reviews of methodologies for cost allocations used in rate setting, creating further impediments to the effectiveness of this review. Centra's approach, which appears to focus only on limited methodology changes recommended by Atrium and without supporting data or analyses, will only serve to defer the consideration of both the detailed implementation of the COSS and debates over data to the next Centra GRA. For these reasons, both the 2022 Hydro GRA and 2022 or 2023 Centra GRA will be unusually laden with difficult topics.

MIPUG, and to lesser degree IGU, have spent years pushing for regulatory efficiencies. It is possible that, in the future, a combined hearing could yield some benefits, along with screening or scoping of certain topics to be broken out into written versus oral evidentiary processes (such as was done with the Manitoba Hydro Cost-of-Service review in 2016). It is clear that Hydro overstates the degree of regulatory costs involved in separate proceedings, by citing recent experience with some of the most contentious proceedings on record, driven by Hydro's own actions (the 7.9% rate increase proposal in 2017 and the excessive avoidance of a Centra GRA for a lengthy period).

MIPUG and IGU recommend that the key focus over the next set of hearings should be:

- i) Addressing long outstanding directives and issues,
- ii) Assisting Hydro to move to a more cooperative, transparent and timely approach to regulation, rather than the more recent combative and litigious posture, and
- iii) Setting a solid baseline for the short-term and long-term financial trajectory.

After these matters have been resolved, it becomes possible to move towards a combined hearing as a positive evolution to future regulatory processes. MIPUG and IGU would be pleased to engage in implementation discussions with the Board and Hydro at that time.



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In summary, MIPUG and IGU submit that it is premature to enter a combined rate process without first addressing the extensive backlog of outstanding directives and establishing a clear and agreed baseline for determination of whether current rates are fair and reasonable.

Yours truly,

THOMPSON DORFMAN SWEATMAN LLP

Per:

Antoine F. Hacault*

AFH/av

cc: Board Counsel
Manitoba Hydro
CAC
Manitoba Keewatinowi Okimakanak Inc.
Assembly of Manitoba Chiefs

*Services provided through A. F. Hacault Law Corporation