



360 Portage Avenue (22) · Winnipeg Manitoba Canada · R3C 0G8
Telephone / N° de téléphone: (204) 360-3257 · Fax / N° de télécopieur: (204) 360-6147 · baczarnecki@hydro.mb.ca

May 24, 2022

THE PUBLIC UTILITIES BOARD OF MANITOBA
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

ATTENTION: Dr. D. Christle, Board Secretary and Executive Director

Dear Dr. Christle:

RE: Manitoba Hydro Proposal for Combined Electric & Gas General Rate Application Fall 2022- Reply to Intervener Comments

On April 11, 2022, Manitoba Hydro filed a proposal with the Public Utilities Board (“PUB”) to file a combined electric and gas General Rate Application this Fall to achieve efficiencies in the regulatory review process, reduce costs borne by customers, and establish routine GRA filing schedules for both electric and gas segments to improve rate predictability for customers. On April 26, 2022, the PUB invited stakeholders to provide written submissions on Manitoba Hydro’s proposal by May 10, 2022, followed by an opportunity for Manitoba Hydro to provide a reply to new issues raised by stakeholders by May 24, 2022.

Manitoba Hydro is in receipt of comments from the Manitoba Industrial Power Users Group/Industrial Gas Users Group (“MIPUG/IGU”), the Consumers Coalition/Consumers Association of Canada (Manitoba) (“Coalition/CAC”), and Manitoba Keewatinowi Okimakanak Inc. (“MKO”). Manitoba Hydro’s reply to stakeholder comments are provided herein.

The majority of stakeholders appear to agree that concurrent review of common issues will result in benefits to all. However, the overarching theme in comments received from parties on Manitoba Hydro’s proposal is that it is too soon to pursue a combined rate application due to unresolved issues/open directives from past proceedings, the passage of time since the last rate applications, and new and emerging issues, which parties suggest would make the scope of a combined process for Fall 2022 unmanageable.

Manitoba Hydro submits that these challenges are overstated and will be addressed directly within the Application itself and/or can be overcome through collective and constructive efforts from all of the parties (applicant, regulator and interveners).

Existing directives are not a barrier to proceeding with a combined application. Manitoba Hydro has
Available in accessible formats upon request

already responded to some of the directives included in Attachment 1 of Coalition/CAC's submission¹ and intends to respond to all open directives at the upcoming GRA.

A combined application represents an opportunity, rather than an impediment, to review how new or emerging issues such as Strategy 2040, enterprise planning and risk management, and organizational restructuring are impacting both the electric and gas segments, providing all parties with a more holistic view of the integrated nature of the corporation. This holistic view of the corporation's finances and operations will necessarily improve the PUB's understanding of the financial health of the integrated utility, resulting in a more effective rate review process.

For example, since the last electric and gas rate application, Manitoba Hydro has undertaken significant organizational restructuring to centralize asset management functions and streamline the asset management systems and processes. In the upcoming GRA, Manitoba Hydro will respond to Directive #14 of Order 59/18 for an independent asset management maturity assessment, which will assess practices that apply across asset investment categories in both the electric and gas segments. Contrary to Coalition/CAC's suggestion that Asset Management would provide only tangential or one-time benefits of a combined review, Manitoba Hydro expects to continue to mature its asset management system over the coming years, and as such there are benefits to a combined review on this topic in the current proceedings, as well as in the future. The alternative of repeating the same exercise twice in two separate back-to-back proceedings with almost the exact same parties is inefficient and results in unnecessary and significant costs to Manitoba Hydro's customers that should, and can, be avoided.

Revenue Requirement, Cost of Service & Rates

Phase 1: Combined Revenue Requirement, Electric Rates & Cost of Service

With endorsement from the PUB for a combined rate application, Manitoba Hydro would file its combined Electric & Gas Revenue Requirement by November 15, 2022 (consistent with the PUB's directive) and Electric Rates & Cost of Service information at the earliest opportunity following the revenue requirement portion of the Application, which Manitoba Hydro currently anticipates being mid-December. This would allow sufficient time for Manitoba Hydro to prepare its rates and cost of service materials following completion of detailed budgeting process. While this will be the first Prospective Cost of Service Study ("PCOSS") with the major capital projects fully in-service, Manitoba Hydro does not anticipate proposing any significant changes to its methodology, and as such it believes that a robust, transparent and orderly review of both combined revenue requirement and electric PCOSS/electric rates can occur as part of Phase 1 of the application, contrary to Coalition's suggestion.

¹ Manitoba Hydro notes that it has previously responded to Directives #10 and #37 of Order 59/18 and has incorporated the PUB's direction in Directives #25 and #27 of Order 59/18 into PCOSS21. Directive #30 of Order 152/19 was set aside by the PUB, and most the changes required as a result of Rate Rebundling outlined in Order 131/21 will be implemented for November 1, 2022, in advance of the upcoming GRA.

Phase 2: Gas Rates, Cost of Service & Cost of Gas

Manitoba Hydro proposes to file materials on gas Cost of Service, Rate Design, Gas Supply and non-Primary Gas costs, as Phase 2 of the process. The corporation anticipates Phase 2 of the Application could be filed shortly after the PUB issues an Order with respect to Phase 1 Combined Revenue Requirement, Electric Rates & Cost of Service.

In their submissions, parties indicate that a separate gas General Rate Application is required to review the implementation of changes flowing from the current gas Cost of Service Methodology Review (“COSMR”), that would otherwise not receive appropriate attention in a combined application. Phase 2 would seek approval to implement the PUB’s direction provided in Phase 1 and would also reflect the PUB decisions flowing from the current COSMR, address any proposed rate design changes, as well as changes to rates to reflect forecast non-Primary Gas costs and disposition of purchased gas variance accounts. If the PUB endorses a combined rate application, the corporation requests that the PUB set aside Directive #26 of Order 85/13 to enable Centra to file its applications in two phases, as discussed above.

This phased approach would help contain the overall scope of the Combined Revenue Requirement, Electric Rates & Cost of Service phase of the process and would also provide Centra sufficient time to implement any approved changes to its cost allocation methodology resulting from the current process underway, which is scheduled to continue into August followed by an Order from the PUB in the fall, as well as time to assess proposed rate design changes.

The corporation also notes that most of the Confidential Information contained in Centra’s applications relates to gas supply and cost of gas matters, which flow into the cost of service and rates information, and as such this separate process would help contain the amount of Confidential Information to be managed in a combined proceeding.

Test Years for Upcoming Application

In the upcoming application, Manitoba Hydro intends to seek to finalize the interim electric rate increase approved effective January 1, 2022, and request overall general revenue increases for 2023/24 and 2024/25 in accordance with *The Crown Corporations Governance and Accountability Act* which permits the setting of rates for a 3-year period. It is Manitoba Hydro’s experience that, absent an additional interim rate application and related approval from the PUB, the expected duration of a regulatory review process will not allow for the review and approval of a rate increase for 2022/23 with a November GRA filing. Except for the development of any unforeseen, special or emergency circumstances, Manitoba Hydro does not intend on seeking a rate increase for 2022/23 at this time.

Collaboration

In their submissions, Coalition/CAC and MIPUG/IGU relied heavily upon what they allege and characterize as uncooperative and litigious conduct on the part of the corporation in past proceedings to support their positions that a combined rate application is not appropriate at this time. In this regard

comments were made about the rate relief sought in various applications, positions taken on confidentiality of information and intervener cost submissions and pursuing review and vary applications. These are unfair and inaccurate characterizations. In each instance, the corporation acted in good faith and in what it believed was the best interests of its customers. In any regulatory or legal proceeding, it is inevitable that differing viewpoints will be expressed and require final determination by the decision maker. Differing interpretations of the public interest does not amount to uncooperative or litigious conduct. More importantly, such comments are not at all relevant to the substantive issue that is before the Board, namely whether or not it is in the overall public interest to proceed with a combined proceeding for the very beneficial reasons that Manitoba Hydro has set forth.

Manitoba Hydro has a strong interest in continuing to build a collaborative relationship with interveners and the PUB, but the language used to describe Manitoba Hydro as being uncooperative and litigious by certain parties does not promote or lend itself to good faith collaboration. Nor are these comments helpful in assisting the PUB in determining the actual matter that is before it as the PUB requested parties to do.

Manitoba Hydro reiterates that it recognizes that the first time through any new process will present challenges and that the scope of a combined process, especially for the first attempt, will be more involved than a single electric and gas GRA. However, Manitoba Hydro continues to strongly believe that a combined process is in the overall public interest by improving the efficiency and effectiveness of the regulatory review process and is prepared to engage with the PUB and prospective interveners to discuss and further refine how best to make a combined process would work.

As the November 15, 2022 filing deadline is quickly approaching, Manitoba Hydro respectfully requests that the PUB provide its decision with respect to this matter as soon as is reasonably practical.

Should you have any questions with respect to this submission, please contact the writer at 204-360-3257.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES DIVISION

Per:



BRENT A. CZARNECKI

Senior Counsel