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April 17, 2024

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

**Attention:** Rachel McMillin, Associate Secretary

Dear Ms. McMillin:

**Re: MIPUG Submission Regarding Manitoba Hydro Application to Review and Vary Public Utilities Board Order 101/23**

**Overview**

In its letter of April 15, 2024, the Manitoba Public Utilities Board (“Board”) provided the process for reviewing Manitoba Hydro’s Application to review and vary Order 101/23 with respect to depreciation matters, which was filed on March 22, 2024. After requesting and receiving written procedural submissions from parties to the 2023/24 & 2024/25 General Rate Application (“GRA”), and reply submission from Manitoba Hydro, the Board indicated that it intends to dispose of the Application in a pragmatic manner that will allow the issue of componentization to be deferred to – and fully canvassed at – the next General Rate Application, if this can be accomplished without a rate impact for the 2023/24 and 2024/25 test years for which the Board has already approved rates.

As part of this process, the Board has decided to invite parties to make written submissions on the following narrow issues:

- Do you agree that under either of Manitoba Hydro’s proposed approaches, there is no impact on 2023/24 and 2024/25 rates that have already been fixed by the Board?
- If not, please explain your rationale and your recommendation on how the Board should resolve the rate impact (including denying Manitoba Hydro’s application, if applicable).

In response, the Manitoba Industrial Power Users Group (“MIPUG”) provides the following submission for the Board’s consideration.

**Background**

MIPUG notes that the Application filed by Manitoba Hydro on March 22, 2024, sought a Board decision on two possible courses of action: (i) a time-limited regulatory deferral account, or (ii) alternatively, permission to write-off the difference in depreciation expense, which would result in

higher book accumulated depreciation and lower retained earnings for the test years in the next GRA.

MIPUG participated in the Depreciation Working Group created by the Board to develop consensus among parties and assist with the Board's understanding of depreciation matters considered during its review of Manitoba Hydro's 2023/24 & 2024/25 GRA filing. The working group, in effect, accepted measures akin to Option (i) deferring and amortizing differences over the remaining asset life. However, the Board rejected this aspect of the conclusions reached by the working group based on a full rationale provided in Order 101/23 at Section 12. Given this decision, Option (ii) would appear to be the available path forward for Manitoba Hydro. It would appear to MIPUG that Option (ii) is available and can be implemented without further approval of the Board, and without the need to maintain "two sets of accounting books in perpetuity" as suggested by Manitoba Hydro. It appears Manitoba Hydro is excessively limiting its reading of Board Directive 19 g) of Order 101/23, by concluding<sup>1</sup>:

*Manitoba Hydro notes that writing off the difference in depreciation expense for rate setting purposes, in accordance with Directive 19 h), would align net income with financial reporting, but the write-off would require Manitoba Hydro to debit depreciation expense and credit accumulated depreciation, which would increase depreciation expense for rate setting purposes to the amount recorded for financial reporting purposes.*

Given that rates for 2023/24 and 2024/25 have already been set by the Board in Order 101/23, no such "write off", or depreciation expense "increase" arising from the implementation of Option (ii) would, at this time, "increase depreciation expense for rate setting purposes". Rates are already set. Rates for the next future GRA test year(s) remain an issue for the next GRA filing and will not be affected in any final way by taking up this option. If anything, this option would reduce future depreciation expense as a larger accumulated depreciation balance would exist at the start of the next GRA.

### **Response to PUB Questions**

Based on the above note considerations, MIPUG agrees with the premise in the Board's first question as posed above. Specifically, MIPUG agrees that under either of Manitoba Hydro's proposed approaches, there is no impact to 2023/24 and 2024/25 rates that have already been fixed by the Board. Therefore, there is no need to respond to the second question.

MIPUG also notes that Option (i) has already been rejected by the Board in Order 101/23, and the scope of questions posed by the Board for consideration in this Review and Vary Application do not include whether Option (i) should be reconsidered. Consequently, MIPUG would understand that Option (ii) remains available to Manitoba Hydro as noted above.

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<sup>1</sup> Manitoba Hydro, Letter Regarding Review and Vary on Depreciation Matters, March 22, 2024, Page 3

**Conclusion**

Should the Board have any questions, please contact InterGroup by email or by phone at 204-942-0654.

Yours truly,

A handwritten signature in black ink, appearing to read "Dale Friesen". The signature is fluid and cursive, with a large initial "D" and "F".

**INTERGROUP CONSULTANTS LTD.**

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Cc: PUB Counsel and Staff  
Manitoba Hydro Counsel  
MIPUG Counsel  
Approved Interveners