



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA HYDRO
 INTERIM RATE REQUEST
 ORAL HEARING

Before Board Panel:

Robert Gabor	- Board Chairperson
Marilyn Kapitany	- Board Member
Larry Ring	- Board Member
Shawn McCutcheon	- Board Member
Sharon McKay	- Board Member
Hugh Grant	- Board Member

HELD AT:

Public Utilities Board
 400, 330 Portage Avenue
 Winnipeg, Manitoba

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Pages 96 to 194

APPEARANCES

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3	Dayna Steinfeld)
4		
5	Patti Ramage) Manitoba Hydro
6	Odette Fernandes)
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8	Byron Williams) Consumer
9	Katrine Dilay) Coalition
10		
11	David Cordingley) Green Action
12	Peter Miller) Centre
13		
14	Antoine Hacault) Manitoba Industrial
15) Power Users Group
16		
17	George Orle, QC) Manitoba
18) Keewatinowi
19) Okimakanak
20		
21	Matt Nordlund) Business Council of
22) Manitoba
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24		
25		

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1 --- Upon commencing at 9:06 a.m.

2

3 THE CHAIRPERSON: Good morning,
4 everyone. We'll start now. I understand, Dr.
5 Williams, you have a -- a matter to bring forward.
6 Then we'll deal with Ms. Ramage on reply. And as
7 well, I get -- you men -- I mentioned yesterday if you
8 could give us the reports on the bill affordability
9 and residential design workshop in the technical
10 conference on base capital as part of your comments.

11 DR. BYRON WILLIAMS: Thank you, and
12 good morning, members of the panel. I -- I shall not
13 detain you for long.

14 We did share with the Board staff as
15 well as Intervenors and Manitoba Hydro last night a
16 letter and two attachments requesting the permission
17 of the Public Utilities Board to make modest edits to
18 the accounting language relating to updated IFF --
19 Integrated Financial Forecast 16.

20 I hasten to add that no numbers,
21 conclusions, or recommendations were edited, but given
22 that these were non-typographical changes, we thought
23 it appropriate to share it in advance with other
24 parties, and also to seek the permission of the Public
25 Utilities Board.

1 And just at a very high level, the
2 proposed language relates to the Consumer Coalition's
3 description of one (1) aspect of the accounting
4 treatment related to the updated IFF-16. And it
5 suggests that the treat of the equal life grouping, or
6 ELG, regulatory deferral balance is the same in IFF-16
7 and updated IFF-16. And it's actually changed for two
8 (2) years, being the test years.

9 So our clients felt it was important to
10 avoid any potential confusion by correcting their
11 description of the accounting treatment. And we did -
12 - what we've done is written a cover letter to the
13 Board asking your permission to make those edits, and
14 also provided copies of the PowerPoint in the written
15 submission with a track change of the proposed edits
16 for the Board.

17 Again, there's no changes to the
18 numbers, conclusions, or recommendations. But this is
19 a public process. A lot of people are paying
20 attention, and we did not wish to leave any
21 mischaracterization in our -- in our evidence.

22 If the Board would like, I could give
23 you a -- a few illustrative examples of what we've
24 done, or I could just leave it to the discretion of
25 the Board and the advice of other parties.

1 THE CHAIRPERSON: If you gave us the
2 examples, how long would it take?

3 DR. BYRON WILLIAMS: I could run you
4 through our PowerPoint in about a minute or --

5 THE CHAIRPERSON: Okay.

6 DR. BYRON WILLIAMS: -- two (2)
7 minutes.

8 THE CHAIRPERSON: Certainly.
9 Certainly. Go ahead.

10 DR. BYRON WILLIAMS: Diane (sic), in
11 terms of the PowerPoint that was provided last night,
12 slide 10, you'll -- you'll see in front of the panel
13 that the words "expensed" has been taken out. In
14 terms of slide 35, again you'll see the words
15 "expensed" has been taken out. In terms of slide 48,
16 you'll see under the second bullet that the sub-bullet
17 has been deleted. And in terms of slide 51, you can
18 see two (2) lines have been deleted.

19 So the changes in the written
20 submissions, I would suggest, they're -- they're of
21 the same character, but they are a little more
22 extensive because we sought to explain in two (2)
23 sentences what that was. And maybe that's the one (1)
24 -- I -- I'm not sure if I can remember the page but
25 I'm going to suggest it's probably around page 24, Ms.

1 Dilay reminds me.

2 Diana, if you could go to the written
3 submissions. Maybe just go to page 5. You'll see the
4 same change that we made on pages -- on page 51.
5 Pages 21 and 22. Here's -- on page 21, this is just
6 trying to articulate the somewhat different accounting
7 treatment for Order 59/'16, IFF-16, and IFF updated
8 16.

9 So that's the most substantive change.
10 It's, in our view, not argument. It's just
11 clarification. But that's the one that I think is --
12 that other -- all may wish to consider.

13 THE CHAIRPERSON: Okay.

14 DR. BYRON WILLIAMS: And I can
15 certainly take you to pages 24 -- oops, you -- page
16 24. Sorry, Diana, next -- you'll see the word
17 "accounting" taken out, page 25; "accounting" taken
18 out on page 28. There's the same change we made
19 previously.

20 So for the panel, that's our
21 information. Again, they do not affect our numbers,
22 conclusions, or recommendations. But it does -- there
23 is a nuance that was -- that was -- we felt needed to
24 be corrected, and we -- we leave it to the Board's
25 wisdom whether they will give us permission to do

1 that, or not.

2 THE CHAIRPERSON: Thank you.

3

4 (BRIEF PAUSE)

5

6 THE CHAIRPERSON: Yeah, we're fine
7 with permitting the changes. Thank you.

8 Ms. Ramage, you're up.

9 MS. PATTI RAMAGE: Yes, and I should
10 let you know it will be Ms. Ramage and Ms. Fernandes--

11 THE CHAIRPERSON: Thank you.

12 MS. PATTI RAMAGE: -- this morning,
13 and we -- we will be ending the show with the
14 fireworks display from Mr. Barnlund giving the
15 updates.

16 THE CHAIRPERSON: We're used to that
17 with Mr. Barnlund.

18

19 REPLY BY MANITOBA HYDRO:

20 MS. PATTI RAMAGE: Thank you, and good
21 morning, panel members.

22 At the outset, Manitoba Hydro would
23 like to address a numble -- number of legal arguments
24 that have been woven into the Intervenor submissions.
25 It's important that the Board understand the

1 distinction between what Intervenors are advocating
2 are legal requirements or tests that must be met by
3 this Board and what is actually contained and mandated
4 in the legislation.

5 So forgive me if I'm going back to
6 basics. But given some of the comments I heard from
7 Intervenors yesterday, I believe it's important that
8 we make clear the PUB's unique jurisdiction with
9 respect to Manitoba Hydro and -- and its unique role.

10 No doubt you're all aware that section
11 2(5) of the PUB Act, except for a few minor
12 exceptions, indi -- provides that Manitoba Hydro is
13 exempt from the PUB Act. Instead, the legislation
14 that gives the -- this Board jurisdiction with respect
15 to Manitoba Hydro is the Crown Corporations Governance
16 and Accountability Act. That's a mouthful and I'll
17 refer to that as the Accountability Act going forward.

18 Section 25(1) of the Accountability Act
19 -- can we change -- provides that Manitoba Hydro's
20 rates for service shall be reviewed by the PUB under
21 the PUB Act and no change of rates for services shall
22 be made or no new rates introduced without approval of
23 the PUB.

24 Section 25(3) of the twenty -- of the
25 Accountability Act provides that the PUB Act applies

1 with any necessary changes to a review pursuant to
2 this part of rates for services.

3 Fundamental principles of statutory
4 interpretation require real meaning be given to these
5 legislative provisions. Section 2(5) of the PUB Act,
6 the exep -- exemption section, would be rendered
7 meaningless if the Accountability Act served to
8 provide the PUB broad jurisdiction over Manitoba
9 Hydro.

10 The PUB Act in fact sets out the
11 processes to be used when conducting a review. And
12 these are found in part 1 of that Act. These are the
13 provisions which apply to the PUB's review of Manitoba
14 Hydro's rates for service under the Accountability
15 Act.

16 The provisions found in the subsequent
17 sections -- subsequent parts of the PUB Act do not
18 apply to Manitoba Hydro. Those are provisions like
19 general supervisory powers; have never applied, and --
20 and the PUB has respected that.

21 Slide. Okay. It is the Accountability
22 Act that sets out the PUB's jurisdictions and its
23 powers. Section 25(4) of that Act sets out the
24 factors the Board may take into consideration when
25 reaching its decision on rates for service. It is of

1 note that this section is permissive. The legislation
2 does not require the PUB look at some, all, or any of
3 these factors. That is left to the discretion of this
4 Board.

5 Also of significance is the list of
6 factors that are included. Section twenty-fi sub --
7 25(4) VIII says:

8 "Any compelling policy
9 considerations that the Board
10 considers relevant to the matter."

11 And IX:

12 "Any other factors that the Board
13 considers relevant to the matter."

14 The Board has a very prescribed and
15 narrow mandate, approval of rates for service, but the
16 Board is provided a very broad discretion as to how it
17 exercises that mandate.

18 Manitoba Hydro's interpretation of the
19 PUB's jurisdictions empow -- jurisdiction and powers
20 was confirmed in the 2005 Court of Appeal decision
21 Consumers' Association of Manitoba, Manitoba Society
22 of Seniors, and Manitoba Industrial Power Users Group
23 v. Manitoba Hydro.

24 The issue before the court was whether
25 the PUB was compelled to follow the results of certain

1 financial tools. It was the financial forecast in the
2 cost of service study. The Court of Appeal decision
3 set out the only test this panel must apply when
4 considering rates for service. And here I quote from
5 the decision beginning at paragraph 64.

6 "The role of the PUB under the
7 Accountability Act is not only to
8 protect consumers from unreasonable
9 charges, but also to ensure the
10 fiscal health of Hydro. It is clear
11 the PUB understood its role in this
12 regard. The PUB has two (2)
13 concerns when dealing with a rate
14 application, the interest of the
15 utility's ratepayers and the
16 financial health of the utility.
17 Together and in the broadest
18 interpretation, these interests
19 represent the general public
20 interest."

21 That is the test that you must follow.
22 It is not the results of a cost of service study, a
23 IFF, or any other financial tool or test promoted by
24 Intervenors or coming from another jurisdiction. And
25 so my point in raising all of this, Intervenors have

1 scattered in their arguments, comments such as,
2 Section 77 of the PUB Act requires the PUB fix just
3 and reasonable rates.

4 Section 77 of the PUB Act doesn't apply
5 to Manitoba Hydro. So while Manitoba Hydro obviously
6 doesn't take issue with the concept of just and
7 reasonable rates, the source of the requirement is
8 incorrect. And if we allow that to stand, it can lead
9 to problems down the road.

10 MIPUG would have you believe that you
11 ought to be concerned with only recovering rates -- in
12 rates, expenses related to assets that are used and
13 useful. That concept is nowhere to be found in the
14 Accountability Act. It is worth noting that Section
15 61 of the PUB Act, from which Manitoba Hydro is
16 expressly exempt, imposes the used and useful
17 restriction on assets in a rate-based rate of return
18 model.

19 Had the leg -- legislature intended
20 similar restrictions apply with respect to Manitoba
21 Hydro, it would have inserted such restrictions in the
22 Accountability Act and it did not. To the contrary,
23 the legislature referenced two (2) factors in Section
24 25(4) that I -- I submit fully support the concept of
25 a broader rate recovery than the used and useful

1 concept.

2 "Interest on debt incurred by the
3 Corporation." That's what it says.

4 "Interest on debt incurred by the
5 Corporation." Not used and useful, just "Interest on
6 debt."

7 It was clearly contemplated as
8 recoverable, as are any other payments that are
9 required to be made out of the revenue of the
10 Corporation, any other payments. And that's III and
11 VII in Section 25(4).

12 No reference is made to use -- used and
13 useful, despite the legislature clearly being alive to
14 the concept in the PUB Act. This Board should not be
15 influenced by suggestions that it should be a slave to
16 regulatory principles not enshrined in legislation.

17 The Coalition also refers to Section
18 39(1) of the Manitoba Hydro Act. I bring this to your
19 attention because the Coalition has added a word to
20 Section 39(1), a single word, the word "necessary".
21 The section reads:

22 "The full costs are to be returned
23 to the Corporation."

24 Not as the Coalition suggests, "The
25 full necessary costs." A layperson might say, What's

1 the difference? The cost should be necessary.
2 They're not wrong in that regard, but the lawyers know
3 that slipping words into legislation can change the
4 meaning and test to be applied, and we don't want to
5 risk that this error takes anyone down the wrong path.

6 Both the Coalition and MIPUG refers --
7 reference Board approved methodologies and the
8 regulator's approved cashflow metric. From a legal
9 perspective, I've never been comfortable with the
10 notion of Board-approved methodologies.

11 The legislation provides the Board
12 approve rates for service. That's the only thing the
13 legislation directs this Board to approve. That's not
14 approve other methodologies, and that was confirmed in
15 the Court of Appeal decision.

16 Manitoba Hydro recognizes the PUB
17 issues directions regarding how it wants accounting
18 treatments to be presented. And as Manitoba Hydro
19 will demonstrate, it has complied with those
20 directions. But characterizing those directions as an
21 approved methodology is not consistent with the
22 Board's legislative mandate.

23 Similarly, this Board has never
24 approved the capital coverage ratio metric. Manitoba
25 Hydro has certainly presented its three (3)

1 traditional financial metrics to the PUB as part of
2 its rate cases and the PUB has examined and tested
3 this evidence. It will be no different in this case.

4 Approval of metrics, however, is not
5 part of the PUB's jurisdiction, nor has the PUB
6 ventured into this territory. The characterization of
7 metrics as approved and required is eerily similar to
8 that -- the arguments that were presented to the Court
9 of Appeal in 2005, and which that court rejected.

10 They serve to tie the hands of this
11 Board and the -- the Court of Appeal said, there is
12 one (1) test, and that's the general public interest
13 test.

14

15 (BRIEF PAUSE)

16

17 MS. ODETTE FERNANDES: Good morning,
18 Chairman Gabor and Board members. As noted by Ms.
19 Ramage, the PUB derives its authority to review
20 Hydro's rate for services pursuant to Part 4 of the
21 Crown Corporation's -- Crown Corporation's Governance
22 and Accountability Act.

23 Now that Ms. Ramage has set the stage,
24 I'd like to turn to the specific issue of interim
25 rates. The applicable legislative provision for any

1 request for interim rates is Section 47(2) of the
2 Public Utilities Board Act. This is the section of
3 the Public Utilities Board Act that applies to interim
4 rate increases.

5 The legislature did not impose any
6 conditions, requirements, or restrictions on the PUB's
7 interim rate approval authority, and instead gave the
8 PUB broad discretion in this regard.

9 Although CAC, MIPUG, and MKO continue
10 to argue that there is a requirement for some type of
11 urgency, emergency situation, deleterious effect,
12 prejudice, or irreparable harm in order for the PUB to
13 grant interim relief to Manitoba Hydro, this is not
14 the case, and such arguments should be rejected.

15 The PUB has consistently rejected the
16 notion that urgency is a required condition in order
17 to issue interim rate orders. Manitoba Hydro has
18 referenced the PUB orders in its June 2nd letter, and
19 they are repeated in this -- on the slide in front of
20 you. I won't read them into the record, but it's
21 clear this argument has been presented and rejected on
22 multiple occasions in the past.

23 Intervenors are attempting to place the
24 PUB's review of this interim rate request into a box
25 which limits the PUB to comments made in Order 59/'16.

1 Manitoba Hydro submits that each application,
2 including interim, must be heard on its own merits,
3 taking into consideration the factors impacting the
4 timing and nature of the application.

5 In its letter of June 2nd, Manitoba
6 Hydro corrected Coalition's assertions related to the
7 history of those prior interim rate increases. We
8 don't propose to repeat the history. Suffice it to
9 say that in each of those cases, the PUB determined
10 that the circumstances at that time justified the
11 increase. This is evidenced by the fact that the PUB
12 issued an interim order in those cases.

13 The legislative authority used by the
14 PUB to grant those increases is the same legislative
15 authority in place today. This authority cannot be
16 amended, changed, or fettered unless the applicable
17 legislation is changed.

18 Now, some Intervenors have once again
19 referenced Section 48 of the PUB -- PUB Act in
20 addition to Section 40 -- 47, and they have argued
21 this section in support of their claim that urgency is
22 required with respect to interim orders.

23 Section 48 is completely separate and
24 distinct from Section 47, and those two (2) sections
25 cannot and should not be read together.

1 There are various sections throughout
2 the PUB Act which use the term 'rates'. Section 48,
3 on the other hand -- and it's in front of you here --
4 refers to outlay, loss, or deprivation. It does not
5 make any reference to rates.

6 In addition, further guidance as to the
7 actual application of the section is typically found
8 in the headings to each section. The heading for
9 section 48 refers to an order involving expenses to
10 parties.

11 If legislatures intend for language to
12 be interpreted consistently or applied throughout
13 various sections of legislation, that same language --
14 language will be purposefully utilized throughout the
15 legislation. When that consistent legislation is not
16 used in a section, it is assumed that the section has
17 a different application and/or meaning.

18 The notable absence of any reference to
19 rates in section 48 suggests that it does not apply to
20 interim rate increases or to rate increases at all.

21 If Section 48 were to be applied, it
22 would render other provisions of the regulatory scheme
23 governing Manitoba Hydro inoperative and unnecessary.
24 Section 47(2) of the PUB Act plainly authorizes the
25 PUB to make interim orders.

1 Section 27 of the Crown Corporation
2 Governance and Accountability Act, which is in front
3 of you, contemplates the compensation or refunds where
4 final orders do not confirm interim approved rates.
5 That none of the Intervenors acknowledged or addressed
6 Section 27 of the Accountability Act speaks volumes as
7 to the credibility of their submissions.

8 Manitoba Hydro submits that the
9 application of Section 48 at -- that's being proposed
10 by Intervenors cannot be accepted. The legislature
11 clearly understood interim rates could be approved in
12 a broad range of circumstances, and that a mechanism
13 ought to be in place should final orders not confirm
14 the interim rates.

15 There has been no change in the PUB's
16 legislation, nor has any new case law been introduced
17 which could serve to impose an urgency requirement or
18 otherwise alter the PUB's broad discretion to consider
19 interim rate requests on their own merits.

20 I'll now turn the microphone back to
21 Ms. Ramage so she can commence addressing Intervenors'
22 submissions from yesterday.

23 MS. PATTI RAMAGE: The first
24 submission Manitoba Hydro intends to address is the
25 Coalition's statement yesterday -- multiple

1 statements, I don't know, twenty (20), thirty (30)
2 times I heard it repeated. It's almost like if you
3 say it enough times it becomes true. And that's that
4 Manitoba Hydro is not in compliance with accounting
5 directs -- directives issued by the PUB in Board Order
6 73/'15.

7 Now, this morning I think we've heard a
8 reda -- retraction. From what I saw of the materials
9 that Mr. William -- Mr. B. Williams ran through this
10 morning, a lot of that information -- assertion was
11 retracted.

12 Unfortunately we were attending to
13 other things late last night when that -- when that
14 came in, so first off I can't address each of the
15 changes he made. I haven't had an opportunity to look
16 at them. But I think it's more important that
17 Manitoba Hydro address the submission as provided
18 yesterday because that was repeated ad nauseam, that
19 we weren't in compliance with the Board's direction,
20 and that was absolutely -- absolutely incorrect.

21

22 (BRIEF PAUSE)

23

24 MS. PATTI RAMAGE: Yes. And as Ms.
25 Fernandes points out to me, the transcripts will

1 reflect Mr. William's comments of yesterday. So we
2 think they -- they must be addressed but...

3 Manitoba Hydro's integrated financial
4 forecast update -- and its updates thereon are in fact
5 as I've stated in compliance with the PUB mandated
6 methodologies. And again, that's a term the P -- that
7 was used in the previous order, not -- not one that --
8 I prefer directives myself but at -- at Board Order
9 73/'15 it stated:

10 "Manitoba Hydro is to continue to
11 use its existing average service
12 life methodology for calculating
13 depreciation rates for rate setting
14 purposes until the Board is
15 satisfied that a change in
16 methodology is warranted."

17 That was the directive, and that is how
18 this Board wanted the average service life to be
19 represented in the -- the financial statements
20 presented to it.

21 As discussed in Tab 10, Section 10.4.4,
22 of Mani -- of Manitoba Hydro's filing, Manitoba Hydro
23 dealt with the requirements of the directive in a
24 manner consistent with the rate regulated accounting
25 framework of IFRS14 regulatory deferral accounts.

1 IFRS14 is the IFRS standard that specifies the
2 financial reporting requirements for regulatory
3 deferral accounts for entities that are subject to
4 rate regulation, like Manitoba Hydro.

5 Under IFR -- IFRS14, Manitoba Hydro
6 records its IFRS compliant depreciation using the ELG
7 method in depreciation expense. The difference
8 between IFRS/ELG method and the CGAAP ASL method is
9 recognized in a regulatory deferral account with a
10 subsequent adjustment recorded in net movement on the
11 statement of income.

12 This ensures that the overall amount of
13 depreciation expense charged complies with the
14 regulator's requirements for rate setting purposes.
15 By taking this step, Manitoba Hydro is continuing to
16 apply the CGAAP ASL method for determining
17 depreciation expense. It's in compliance.

18 The same approach is used for capturing
19 the difference between overhead capitalized for
20 financial reporting versus rate setting purposes. I'm
21 going to bring it to an example the lawyers can
22 understand.

23 As a -- if depreciation expense on a
24 particular asset component under the IFRS/ELG method
25 is calculated a thousand dollars, and under the CGAAP

1 ASL method it's calculated at nine hundred and fifty
2 dollars (\$950), Manitoba Hydro re -- would record a
3 thousand dollars in depreciation expense with the
4 difference between the ELG and ASL methodologies of
5 negative fifty dollars (\$50) recorded as an adjustment
6 in net movement.

7 This in an overall deprec -- this
8 results in an overall depreciation method of nine
9 hundred and fifty dollars (\$950) charged to the
10 statement of income for rate-setting purposes. So the
11 fifty dollars (\$50) is slided (sic) over, and you have
12 nine hundred and fifty (950) on the statement of
13 income for rate-setting purposes. That fifty dollars
14 (\$50) would be applied to a regulatory deferral
15 account on the statement of financial position.

16 Under IFRS14, the balance of the
17 regulatory deferral account, that fifty dollars (\$50),
18 and as it grows, it requires amortization over some
19 period of time to ensure eventual recovery of costs by
20 the ratepayer.

21 MH16 had initially assumed amortization
22 of the regulatory deferral account for the ELG/ASL
23 difference over a twenty (20) year period beginning in
24 2017/'18. The forecast update, that's MH16 update,
25 does not include amortization of the deferral account

1 until 2019/2020, and that's to reflect the PUB's
2 review of the recovery of the deferral over the
3 upcoming year.

4 As discussed at page 14 of Manitoba --
5 of MH16 updated, the deferral of amortization results
6 in an increase in net income of only \$22 million over
7 the entire ten (10) year period, to '26/'27.

8 The Coalition also suggested that the
9 difference between IFRS ELG and CGAAP ASL
10 methodologies, those that are captured in that
11 regulatory deferral account that we spoke of, the
12 fifty dollar (\$50) account, that should be -- they're
13 suggesting that should be charged to other
14 comprehensive income as part of the Board-approved
15 accounting directive. And here we're referencing 20 -
16 - page 20 of their interim argument.

17 In the 2016/'17 supplemental filing, a
18 scenario, and it's attachment 28, was filed which
19 requested the presentation of the amortization of the
20 regulatory deferral accounts through other
21 comprehensive income. This was a scenario that was
22 requested. It was not a finding directed by the Board
23 in either Board Order 73 of '15 or 59 of '16.

24 In addition, as is discussed in section
25 10.4.4 of Manitoba Hydro's submission and in MIPUG

1 MFR5, amortization of the regulatory balance through
2 other comprehensive income for the purpose -- for the
3 difference between the ELG and ASL depreciation
4 methodologies is not compliant with the requirements
5 of IFRS14.

6 It's also important to note that IFRS14
7 must be applied to all regulatory accounts and that an
8 -- regulated -- regulated entity does not have the
9 option to pick or choose which regulatory accounts it
10 will or will not subject to the requirements of
11 IFRS14. Those are rules that are beyond Manitoba
12 Hydro's control.

13 Now, dealing next with the comments
14 we'd heard regarding the comparison between MH16 and
15 MH15 forecasts.

16

17 (BRIEF PAUSE)

18

19 MS. PATTI RAMAGE: MIPUG has asserted
20 that MH16 reflects no deterioration from MH15, in
21 short, because the aggregate net cost to domestic
22 customers over the eleven (11) year period is
23 effectively unchanged between those two (2) forecasts.

24 MIPUG rightly points out that there are
25 significant changes in individual items within the

1 forecast, but they largely offset each other. And
2 while MI -- MIPUG has faithfully reproduced Manitoba
3 Hydro's own evidence, it's entirely missed several
4 important points.

5 As a starting point, MH15 is not a
6 financial plan that adequately addresses Manitoba
7 Hydro's current financial circumstances and risks, a
8 plan built on a philosophy that forecast net income
9 over the next seven (7) to eight (8) years be
10 essentially negligible. It -- it's not prudent or
11 reflective of the significant and largely
12 uncontrollable forecast risk facing this Corporation.

13 Even so, MH16 reflects a significant
14 and material deterioration to the outlook for Manitoba
15 Hydro. It's not remotely, and I'm using the words of
16 the counsel for MIPUG, it's not remotely precisely
17 equal to -- to MH15 as MIPUG had asserted.

18 The issue here is revenue.

19 THE CHAIRPERSON: Sorry, Ms. -- Ms.
20 Ramage, can I just ask a question? I'm -- I apologize
21 for interrupting. In your comments, are you referring
22 to MH16 or the update, because the screen's talking
23 about the update and you're talking about MH16 in your
24 -- in your comments. And I'm just -- I'm trying to --
25 to figure out which one (1) we're -- we're focussing

1 on.

2 MS. PATTI RAMAGE: Yeah, I'm sorry.

3 It's -- it's the update, although if you --

4 THE CHAIRPERSON: Thank you.

5 MS. PATTI RAMAGE: -- although, I

6 believe the -- the comments up here are relatively the

7 same for both of them.

8 THE CHAIRPERSON: Yeah, that's fine.

9 It's just I want to make sure that we're talking

10 apples and apples.

11 MS. PATTI RAMAGE: I apologize.

12 THE CHAIRPERSON: That's okay.

13 Thanks.

14 MS. PATTI RAMAGE: And as I indicated,

15 the ash -- the issue we have is with revenue. MIPUG's

16 largely chosen to ignore that issue. Domestic revenue

17 is down approximately \$900 million over a ten (10)

18 year forecast period using today's currently approved

19 rates. Growth and load net of DSM has turned negative

20 over the ten (10) year period.

21 I would point out this is before any

22 additional impacts from the efficiency Manitoba DSM

23 saving targets, which are larger than the DSM savings

24 targets embedded in Manitoba Hydro's financial plan.

25 The pricing of export opportunity sales continues to

1 defy repeated export forecasts for a rebound.

2 As compared to IFF-15, forecast
3 opportunity prices are down 30 percent on peak, and 35
4 percent off peak, contributing to an \$880 million
5 reduction to net export revenue, notwithstanding the
6 extraordinary water conditions in the early years of
7 the forecast. And -- and tho -- those numbers can be
8 found in MFR10.

9 Now, I will come back to why those
10 numbers are not pessimistic assumptions, as MIPUG
11 asserts. But first, I want to make the point that
12 it's increasingly clear that Manitoba Hydro is not
13 going to grow its way out of financial trouble. MIPUG
14 suggests that our diminished outlook de-risks the
15 business. It de-risks it. What does that mean?

16 I think that's because the business has
17 eroded so badly we just don't have the same risk of
18 going lower. The reality is different. Risk is
19 substantially increased. When you take away
20 reasonable expectations of revenue growth, the result
21 is that you have nowhere to hide and no way to
22 mitigate shocks like interest rates increasing.

23 Make no mistake, Manitoba Hydro is on a
24 path to where, even with these rate increases, debt is
25 going to be fifteen (15) times its current domestic

1 revenues, fifteen (15) times. Even if the interest
2 rate forecast proves correct, interest expense will
3 soon consume 70 odd percent of every domestic dollar.
4 70 percent of every domestic dollar is going to go to
5 interest expense.

6 It doesn't take much of an error on the
7 interest rate forecast for that to move up to a
8 hundred percent or more. And we still have a business
9 to run. We have to pay our operating costs, power
10 purchases, water rentals, capital taxes, and by no
11 means least of all, we have to replenish aging
12 infrastructure.

13 Manitoba Hydro clearly cannot look to
14 growth in export pricing, high water, and declining
15 interest rates to bail itself out. When you examine
16 MIPUG's comparison of Manitoba -- of MH15 to MH16
17 update, we note that the aggregate net cost to
18 domestic consumers are essentially unchanged.

19 MIPUG's conveniently omitted that these
20 costs will need to be spread over now fewer domestic
21 kilowatt hours, which in itself demands a rate
22 increase. But what you also see is that almost all of
23 the erosion in expert revenue is being paid for by
24 lower interest expense, and we want to look at that
25 lower interest expense.

1 Current interest rate forecast is lower
2 than what was embedded in IFF15. However, over 40
3 percent of the savings in interest costs have
4 absolutely nothing to do with lower forecast rates.
5 What it has to do with, Manitoba is -- Manitoba Hydro
6 changed its debt management strategy to target a
7 twelve (12) year term to maturity on new issuances
8 instead of twenty (20) years.

9 Manitoba Hydro's been very clear. This
10 is a strategy that only makes sense if there is an
11 expectation of having income and cash -- income and
12 the cashflow necessary to permanently retire shorter-
13 term debt as it becomes due.

14 We have to be able to retire that debt
15 when it becomes due or that strategy doesn't make
16 sense. And that strategy is a \$500 million saving,
17 but it doesn't work if we don't have the cash at the
18 end of the day to retire it. And that cash can only
19 come from higher rates.

20 The update to MH-16 lays bare how
21 essential a steady sequence of meaningful rate
22 increases is in order to mitigate Manitoba Hydro's
23 financial risk. The interim rate is an essential
24 component of that steady stream.

25 While the argument that MH-15 is

1 precisely equal to MH-16 updated is not valid. Both
2 of those forecasts incorporated the assumption of
3 regular annual rate increases. Manitoba Hydro and its
4 customers, against a backdrop of significant
5 deterioration in its outlook for revenue growth and
6 capital expenditures, simply can't afford to skip a
7 year. We have to get this year in.

8 Successive financial forecasts have
9 wagered that growth will enable Manitoba Hydro to
10 weather and recover from the significant deterioration
11 in its financial strength. And that deterioration is
12 driven by a debt-funded expansion program that has not
13 been adequately and proactively funded in -- in
14 concert with sufficient rate increases.

15 Manitoba Hydro, alongside independent
16 experts, has repeatedly had expectations for growth in
17 domestic demand and the rebound of export prices.
18 It's been repeatedly frustrated by a post-2009
19 recovery that just keeps getting delayed further.

20 Continuing to postpone a painful but
21 needed step-change adjustment to rates in the hopes of
22 a positive forecast error is a perilous strategy. To
23 date, a financial crisis for Manitoba Hydro has --
24 coupled with rate shock for its customers, has been
25 deferred due to two (2) factors, and those two (2)

1 factors are entirely outside of Manitoba Hydro and
2 this Board's control.

3 Interest rates have declined to levels
4 not experienced in eighty (80) years, and second,
5 Manitoba Hydro will, in 2017, enjoy its fourteenth
6 (14th) consecutive year of above-average water flows
7 which is a wet period almost three (3) times the
8 duration of the next largest period -- next longest
9 period in well over a century of recorded history.

10 So those two (2) factors of what -- are
11 what have been saving Manitoba Hydro, and those
12 factors are not factors that we can count on to
13 continue.

14 Manitoba Hydro must accelerate previous
15 forecast rate -- forecast rate increases in order to
16 come to terms with tepid domestic and export growth
17 while absorbing an enormous change in its balance
18 sheet and cost structure.

19 From 2008 through 2017, domestic load
20 has grown an aggregate of 4.3 percent. Domestic
21 revenue has grown 32 percent. Meanwhile, debt has
22 grown at 119 percent, total assets have grown 90
23 percent, and net income has declined 90 percent.

24 In short, by any metric, Manitoba
25 Hydro's debt has ballooned out of proportion to any

1 other measure in the utility's size and scale. This
2 pattern will unequivocally and unavoidably continue as
3 Manitoba Hydro completes an unprecedented capital
4 program in -- in the face of a deteriorating outlook
5 for the growth of its business.

6 Simply put, rates today are too low.
7 They don't adequately address the realities of
8 Manitoba Hydro's current cost structure,
9 notwithstanding a continual decline in interest rates
10 and successive OM -- OM&A cost-containment measures.

11 Rates today haven't adjusted to the
12 reality of -- of Manitoba Hydro's export business
13 under normal water conditions. Under normal -- and
14 they have significantly deteriorated its -- Manitoba
15 Hydro's ability to offset and defray the cost burden
16 that the Board acknowledges is wholly borne by the
17 domestic ratepayers. And the Board acknowledged that
18 in Order 164 of '16 at page 9. That cost burden is
19 falling to the ratepayers. That is the reality.

20 Moreover, rates today are wholly
21 unprayer -- prepared for the near term and unavoidable
22 step change in Manitoba Hydro's operating costs as
23 Bipole III and, next, Keeyask come into service.
24 Hence, today's rates need to change. Keeyask is
25 coming into service in less than a year -- oh, sorry,

1 I'm so -- Bipole.

2 I'm going to turn the mic over to Ms.
3 Fernandes now.

4 MS. ODETTE FERNANDES: I will be
5 addressing Intervenors' comments on Manitoba Hydro's
6 forecasting.

7 MIPUG suggests that Manitoba Hydro is
8 being pessimistic in its projections. To illustrate
9 Manitoba Hydro's positions, we have put together this
10 slide in front of you by taking the load growth
11 forecast contained in each of the last five (5) load
12 forecasts, and plotting them on a single graph.

13 The fact is, as this chart shows,
14 domestic load growth has become tepid, causing
15 Manitoba Hydro to have to continually revise downward
16 its expectations. Manitoba Hydro is not being
17 pessimistic.

18 To address a few erroneous points
19 raised by MIPUG, the load forecast underpinning
20 updated MH16 is not a 24th percentile. It is Manitoba
21 Hydro's best estimate of future load growth with what
22 it believes to be an equal probability of such growth
23 being higher or lower. The forecast has optimism in
24 it. It assumes certain pipelines get built and
25 consume electricity, and it assumes certain customers

1 who have flirted with bankruptcy do not, in fact, shut
2 down. Neither of these are sure things.

3 Manitoba Hydro made modest changes in
4 our load forecasting methodology, not the wholesale
5 methodological changes Coalition purports. Potential
6 large industrial loads remain in. They have just been
7 pushed out to begin in year six (6) instead of year
8 four (4). The impact is negligible, particularly
9 given the availability of export opportunity sales to
10 off -- offset lost industrial load.

11 Manitoba Hydro has upgraded its price
12 elasticity assumptions which were obviously critical,
13 given the new rate profile we are proposing. The 400
14 million pea plant coming in Portage la Prairie MIPUG
15 referred to yesterday, that's in the forecast.

16 MIPUG is incorrect in stating that the
17 potential large industrial load has been removed from
18 the long-term forecast for the top consumer sector.
19 The methodology may have changed, but the potential
20 large industrial load continues to be a key component
21 of Manitoba Hydro's long-term forecast. It is worth
22 noting, however, that over the last ten (10) years,
23 top consumer's consumption has declined 5 percent.

24 Intervenors expressed distress that
25 these changes have not been subject to regulatory

1 scrutiny. To the contrary, the PUB process has
2 clearly reviewed on multiple occasions the impact of
3 potential large industrial load, and the PUB has
4 expressed concern with Manitoba Hydro's past treatment
5 of this potential load.

6 And I would just like to bring to your
7 attention a couple of those concerns referenced by the
8 Public Utilities Board. In Order 73/'15 at page 78,
9 the Board indicated:

10 "There is evidence that Manitoba
11 Hydro consistently over-estimates
12 the top consumer's load growth. The
13 first year of each load forecast for
14 the past five (5) years over-
15 estimated the top consumer's load in
16 the greater than 100 kV sub-class.
17 The potential large industrial load
18 does not recognize the last ten (10)
19 years of near zero load growth in
20 the top consumer's sector, or that
21 using PLIL in addition to large
22 pipeline load additions overlaps in
23 some years, and may be double
24 counting.

25 The Board sees Manitoba Hydro's PLIL

1 as an appropriate -- as an
2 inappropriate upward adjustment that
3 does not reflect the recent top
4 consumer's load growth history. The
5 Board recommends that Manitoba Hydro
6 take a more rigorous approach to
7 forecasting the top consumer's
8 load."

9 I'd also note that at page 87 of this
10 order, the PUB expressed concern with the export price
11 forecast, and the Board indicated that it was
12 concerned that successive Manitoba Hydro export price
13 forecasts have been revised downward and consistently
14 over estimates actual result -- results.

15 And then more recently, in Order
16 59/'16, the PUB made similar comments. And they
17 indicated at page 37 that:

18 "As noted in Order 73/'15, the Board
19 continues to have concerns with
20 Manitoba Hydro's forecast for top
21 consumers load growth. The deferral
22 of additional pipeline load in the
23 oil and gas sector by one (1) year
24 demonstrates the variation in
25 industrial load growth.

1 The potential large industrial load
2 does not recognize the last ten (10)
3 years of near zero load growth in
4 the top consumer sector or that
5 using PLIL in addition to large
6 pipeline load additions overlaps in
7 some years and may be double
8 counting.

9 The Board continues to question
10 Manitoba Hydro's PLIL assumptions
11 and the upward adjustments to the
12 load forecasts associated with
13 PLIL."

14 And then at page 39 they again
15 reference concerns with the export price forecast
16 moving downward every year:

17 "Intervenor's distress at alleged lack
18 of regulatory review is disingenuous
19 and fails to acknowledge that Manitoba
20 Hydro's change to its treatment of the
21 potential large industrial load is
22 consistent with the PUB's
23 recommendations."

24 To address MIPUG's point on Manitoba
25 Hydro's export price forecasts, firstly, Manitoba

1 Hydro took out the dependable premium because that is
2 what the market is reflecting today.

3 Secondly, Manitoba Hydro took out
4 capacity values because it is not prudent to assume as
5 a planning tool that Manitoba Hydro is able to enter
6 into new long-term export contracts, particularly into
7 markets like MISO that are awash in energy.

8 Manitoba Hydro is certainly doing its
9 level best to find new buyers, but a financial plan
10 that presumes success is not prudent. In any event,
11 this assumption has no material impact until after
12 2025 when Keeyask has come on stream and certain
13 existing export contracts have expired. That's still
14 a long way away. The steps that Manitoba Hydro has
15 taken serves to address the PUB's concerns expressed
16 in Order 73/'15 and 59/'16.

17 Manitoba Hydro's interest rate
18 assumption is certainly not purposefully conservative.
19 First off, it is based upon a composite of numerous
20 market observers. Manitoba Hydro wouldn't presume to
21 be smarter than all of them, but this is a constantly
22 evolving risk that Manitoba Hydro essentially has no
23 control over.

24 Manitoba Hydro must issue debt to
25 finish these major capital projects and, as discussed,

1 fund its Basic operations given today's domestic and
2 export revenues. Manitoba Hydro is a price taker. It
3 has limited flexibility to defer borrowing if it
4 doesn't like the rate.

5 And there are signs of danger in the
6 credit markets. In July, the Bank of Canada hiked its
7 overnight rate for the first time in seven (7) years
8 and much earlier than commentators were expecting. At
9 the time, Manitoba Hydro completed its interest rate
10 forecast in May -- sorry, in April.

11 Manitoba Hydro's '16 update used the
12 April rate forecast and assumed a five (5) year Bank
13 of Canada rate of 1.37 percent as an average in
14 2017/'18. And these numbers are found in Manitoba
15 Hydro's updated MH-16 update.

16 On July 6th, when that update was being
17 finalized, the rate had climbed to 1.44 percent.
18 Today, only three (3) months into the -- that fiscal
19 year, anyone with a Wi-Fi connection and access to the
20 Bank of Canada site will be able to see that this rate
21 is already 1.57 percent.

22 It may not sound material, but Manitoba
23 Hydro has \$12 billion to borrow over the next five (5)
24 years. Extremely modest increases in borrowing costs
25 against plan can quickly reduce Manitoba Hydro's

1 income by fifty (50) to even a hundred million dollars
2 per year. This is one (1) of the reasons targeting
3 breakeven net income is a mistake. It is also one (1)
4 of the reasons we have to start taking more
5 significant action on the amount of new debt Manitoba
6 Hydro incurs.

7 Notwithstanding Man -- MIPUG's
8 arguments, risks are not diminishing with each passing
9 day. We are mid-flight onto very large, very complex
10 capital projects. Bipole III is only one (1) year
11 from being in service, and roughly 80 percent of its
12 \$5 billion budget has been spent or committed.

13 But to suggest the risk has gone away
14 is wrong. The project team is managing a global
15 supply chain and has numerous risks to navigate before
16 they are even in a position to begin -- begin the
17 commissioning process in March.

18 Meanwhile, Keeyask is four (4) years
19 from first power. The 2017 construction season is
20 critical to keeping on the revised timetable and
21 budget.

22 The -- the big risk MIPUG thinks is
23 diminishing is borrowing. Again, as I indicated
24 earlier, we have over 12 billion left to borrow
25 between now and the end of 2021/'22. That's 40

1 percent of its peak debt still left unpriced.

2 Manitoba Hydro is a hundred percent
3 susceptible to any adverse changes in the markets.
4 But from there, the idea that once we have issued that
5 debt, the risk goes away, is patently false.

6 MIPUG faithfully reproduced a chart
7 from Manitoba Hydro's Debt Management Plan to show new
8 issuance over the next four (4) to five (5) years.
9 The point being made was that we had limited new
10 borrowing after 2022. This is wrong.

11 The MIPUG chart omits that the \$12
12 billion of borrowing highlighted would, at some point,
13 need to be refinanced. As noted, Manitoba Hydro is
14 moving to a twelve (12) year average maturity on new
15 debt, which means a lot of this debt will need to be
16 refinanced sooner rather than later.

17 This chart presents the whole picture.
18 The pale blue bars reflect refinancing requirements of
19 all debt still to be issued. As you can see, a lot
20 will be repaid or refinanced as early as five (5)
21 years after it is issued.

22 In fact, the risk for today's
23 ratepayers and tomorrow's is that, using MIPUG's and
24 Coalition's views of income adequacy, we will never
25 generate the cash needed to pay off the debt.

1 So whether it is in five (5) years or
2 forty (40) years, we are signing ourselves up for --
3 for a perpetual risk of having to refinance at
4 potentially significant -- significantly higher rates
5 which will inevitably be a burden on the ratepayer.
6 This is the unavoidable consequence of having debt
7 balloon out of all proportion to income and revenue
8 base.

9 MS. PATTI RAMAGE: I hope you don't
10 mind the back and forth, but it helps.

11 THE CHAIRPERSON: No, that's fine.

12 MS. PATTI RAMAGE: Now, the Coalition
13 calls Manitoba Hydro's cashflow analysis a malleable
14 metric and a radical reimaging. Those are catchy
15 sound bites, but they're not accurate.

16 In fact, Manitoba Hydro's presentation
17 of cashflow is by far -- by far a more accurate
18 representation of the current financial conditions
19 that are facing Manitoba Hydro. It -- it's far more
20 accurate than net -- net income or, as the Coalition
21 prefers, the capital coverage ratio.

22 First, the suggestion that Manitoba
23 Hydro has deviated from Board-approved credit metrics
24 would -- would suggest those metrics exist, those
25 approved metrics. As previously noted, they don't.

1 In fact, if we go back to Order 51 of
2 '96 -- and, sadly, I was around for that order -- the
3 PUB declared that financial targets were the domain of
4 the Manitoba Hydro Electric Board. The PUB has never
5 endorsed or -- or approved the capital covered --
6 coverage ratio as suggested by Coalition.

7 The Coalition complains that the cash
8 from operations to capital expenditure metric, the --
9 the CFO to CapEx, it's often described as the
10 complainant's not consistent with IFRS. Well, neither
11 is the capital coverage ratio.

12 It favours the -- CAC favours -- or
13 Coalition favours -- or to be complete, the interest
14 coverage ratio is not compliant with IFRS. They are
15 not meant to be. The goal of -- of certain credit
16 statistics is to provide an accurate representation of
17 the financial health of the business in part by
18 cutting through any accounting constructs in order to
19 get to what is really happening.

20 Manitoba Hydro has presented all three
21 (3) of the traditional financial ratios and provided
22 sensitivities on each. Each financial model run that
23 has been propi -- provided -- and there were many
24 already, and there will be more -- but each one
25 includes those traditional ratios and, in fact, omits

1 the cashflow metric; that ca -- the cashflow metric
2 that Manitoba Hydro has presented, and the Coalition
3 has deemed radical and controversial.

4 Manitoba Hydro has presented this
5 complimentary CFO to CapEx analysis in order to make
6 clear the fundamental reality of Manitoba Hydro's
7 current financial situation. That reality is that we
8 are borrowing money to fund our core Basic operations.
9 That is an unsustainable practice, and supports an
10 immediate need for interim rate relief.

11 Yet -- net income does not reflect this
12 reality. In fiscal year 2018, depreciation is
13 forecast to be 396 million. So even if you accept
14 Coalition's position that sustain -- sustaining
15 capital is \$526 million, you have -- you have an
16 enormous gap between what is being recovered from
17 ratepayers and the cash Manitoba Hydro needs to expend
18 to run its business.

19 So we think the better estimate of true
20 sustainment capital is \$592 million, meaning there's
21 \$196 million gap between what Manitoba Hydro is
22 spending in cash to sustain the assets in 2018 and
23 what is being recovered through depreciation,
24 expenses, contribution to revenue requirement.

25 Capital coverage is operating cashflow

1 divided by business operations capital. The
2 numerator, cashflow, omits the capitalized interest on
3 the Bipole III project. We -- we will address shortly
4 why a true representation of the cash changes on our
5 business needs to include interest on Bipole III, even
6 before it comes into service.

7 But the denominator of capital
8 coverage, that's business operation -- business
9 operations capital omits a host of capital
10 expenditures we can't avoid each year for things like
11 DSM spending, on -- or -- or spending on other
12 significant projects, such as upgrades to our Kettle
13 station which are cat -- categorized as major but are
14 really to maintain what we already have and generate
15 no new income.

16 THE CHAIRPERSON: Ms. Ramage, I'm
17 sorry to interrupt, but I'm going to forget the point
18 so I want to ask it now.

19 I've got a problem with your first two
20 (2) bullets. Okay. You -- you say that it's
21 complementary rather than a replacement but then you
22 say it's far more representative. If you take those
23 two (2) lines together, are you saying it's better?

24 Because I -- I don't know how something
25 is complementary and then later on it says, It's far

1 more representative. When I see "far more
2 representative" what I -- what I see is you go -- go
3 this way or this way, this way is better.

4 MS. PATTI RAMAGE: I think that's an
5 excellent question, and it's a question I asked my
6 friend to the right. The -- I -- I asked that same
7 question, and so I think I can -- I can give you a
8 fairly good answer.

9 The traditional capital coverage ratio
10 that Manitoba Hydro is -- employs is a very good
11 metric when you're in a static business environment.
12 But when you're in a growth mode, and -- and taking on
13 enormous new capital, you need to depart from that and
14 look at what's actually happening in your business
15 because so much interest is being capitalized and
16 being pushed off to the future, but you really have to
17 make those payments.

18 You have to look at a ratio that also
19 tells you what's actually happening and, you know,
20 where you're going to get the cash to be able to make
21 those payments. And that's why we have the
22 traditional, and then we add this one (1) because this
23 one (1) addresses the current environment.

24 The one (1) that parties have relied on
25 in the past, and back in the '90s when -- I think the

1 last time the Board really looked at these metrics was
2 back in 1996, we were not in that kind of growth mode,
3 and that's what's been used throughout.

4 But when we come into where we are now
5 and we re-looked at it we say, We need to be able to
6 express what's really happening because cash is coming
7 in and cash is going out.

8 THE CHAIRPERSON: Thank you.

9

10 (BRIEF PAUSE)

11

12 MS. PATTI RAMAGE: So even with near
13 record water conditions and the contribution of the
14 interim rate increase as per page 18 of our Tab 3
15 supplement. The cash deficiency would still be a
16 hundred million dollars in 2718.

17 Now, this is before addressing the
18 appropriateness of any conditions or reserves to meet
19 financial targets or to deal with another set of
20 challenges further down the road as Keeyask comes onto
21 stream. These issues are rightly left to -- to the
22 full hearing.

23 But by -- by any measure, Manitoba
24 Hydro is in a cash deficit position. Without the
25 benefit of high water, this deficit is in the order of

1 250 to \$300 million per year, meaning rates today are
2 15 to 20 percent too low if Manitoba Hydro's
3 ratepayers are held to be responsible for the cost of
4 its -- of operating the system. Interim rate relief
5 is essential to begin addressing this.

6 So including the interest costs of
7 Bipole III in the cashflow analysis is appropriate.
8 Bipole III begins commissioning in March; it is
9 imminent. As we will show momentarily, today's rates,
10 even including the defer -- those deferred to the
11 Bipole III reserve, they don't come close to
12 addressing Manitoba Hydro's cost position once Bipole
13 is in service.

14 Perhaps in the past Bipole III was far
15 enough away that coming to terms with its impact could
16 be delayed. That's not the case anymore. It's
17 evident the growth is not going to help. We can't
18 rely on it. This is the last General Rate Application
19 before Bipole III is in service. And -- and we can't
20 afford to miss a year at this point.

21 Frankly, this in itself could be the
22 special circumstance some Intervenors argue we need.
23 We don't believe you need it, but this is a pretty big
24 circumstance. These sort of major capital
25 expenditures are once in a generation; we're going to

1 be having two (2).

2 The project's mostly complete.

3 Regardless of accounting conventions, Manitoba Hydro
4 is today borrowing cash for interest annually on the
5 debt being borrowed to build the project. It's a huge
6 number. We're talking 150 million, 175 million.

7 And once it comes on stream, and this
8 is crucial, it generates minimal incremental revenue.
9 Now, that's not what MIPUG said, but that's the
10 reality. It generates minimal incremental revenue.
11 It is a required investment simply to support the
12 reliability of today's system.

13 IFRS demands Manitoba Hydro leave the
14 associated interest costs out of its expenses until it
15 comes on -- on stream, but that mischaracterizes the
16 true need of today's business. Our cashflow analysis
17 shows the reality of where we will imminently be.

18 As noted in the previous slide, Bipole
19 III is a major driver of the cash deficiency at
20 Manitoba Hydro. This slide notes the impact Bipole
21 III will have in its first full year of service. That
22 first full year begins essentially twelve (12) months
23 from today. It's no longer theoretical. It's no
24 longer a financial modelling exercise.

25 Now, MIPUG maintained that interest on

1 Bipole can and should be ignored because it's a
2 revenue-generating asset. And let's look at that.
3 The first column of this slide, the small green bar,
4 reflects the \$15 million of incremental export revenue
5 Manitoba Hydro can expect from reducing line losses.
6 And that's what we heard from intervenors was the
7 revenue generation from this asset; \$15 million is the
8 number.

9 The next green column adds the \$120
10 million in today's rates from past Board orders that
11 we have to date deferred but can now recognize as
12 revenue. The next three (3) red columns -- and that -
13 - we -- we looked to PUB MFR20 to find those figures.
14 Those red columns reflect the interest expense,
15 depreciation expense, and additional operating
16 expenses that will also come online once the line is
17 in service.

18 The end result is this leaves a \$205
19 million deficiency every year. It's \$205 million
20 every year. That is 15 percent of today's domestic
21 revenue. Our rates are 15 percent too low. We can
22 choose to ignore this and forego an interim rate
23 increase, but it's going to be at the cost of needing
24 to address it with even an -- a larger rate increase
25 next year.

1 MIPUG characterized Bipole III as an
2 asset that will:

3 "Come into its own, that's far into
4 the fut -- come into its own far
5 into the future and pay for itself."

6 Unfortunately, the analysis above shows
7 that not to be the case. Bipole III is a reliability
8 project. It is a cost for being a reliabil -- a
9 reliable provider of energy services, and that cost
10 has to be paid for. At current rates, even inclusive
11 of the reserves this Board prudently established,
12 those rates do not cover -- come close to covering
13 these costs.

14 Now, you'll see in this next slide, a
15 one (1) time 7.9 percent rate increase doesn't bring
16 you all the way back. It reduces approximately \$125
17 million of the \$205 million impact. It only closes
18 part of the gap, and Manitoba Hydro is still short.

19 Next, I wanted to address MIPUG and
20 Coalition's reliance on current water conditions.
21 High water flows are a natural phenomenon. Without
22 the benefit of this phenomenon, Manitoba Hydro would
23 have lost money in each of the last two (2) years, and
24 without rate increases, would likely again in
25 2017/'18. The table on this slide, found in Figure 15

1 of MH16 updated, summarizes this analysis.

2 Due to its inherent unpredictability
3 and historical volatility, the impact of variations in
4 water flow should be excluded from the determination
5 of rates. Insofar as water conditions are above
6 normal, excess generation can be converted into
7 earnings and equity to be stored for the inevitable
8 period when lower water or even drought conditions
9 prevail, because it is inevitable.

10 At a minimum, the planning criteria for
11 setting rate levels must -- must be average water
12 conditions. Even that is aggressive, given the non-
13 symmetrical nature of Manitoba Hydro's hydrology risk,
14 current financial condition, and revenue deficiency.

15 The earnings erosions from below-
16 average waters is considerably larger than the benefit
17 enjoyed when conditions are above average by that --
18 by the same degree. As noted earlier, fourteen (14)
19 consecutive years of above-average water is almost
20 three (3) times the previous rec -- record for wet
21 years.

22 The pattern, along with declining
23 interest rates, has covered up a fundamental
24 deterioration of Manitoba Hydro's business. We submit
25 that setting rates for Manitoba Hydro to essentially

1 break even but relying on continued great water
2 conditions is setting up for disaster -- that is, rate
3 shock whenever water flows trend to below average, let
4 alone drought.

5 Tuning net income to such a small and
6 fine level on a \$30 billion asset base with the types
7 of risks Manitoba Hydro faces is very, very risky.
8 Now, MIPUG would have you believe all is well, and
9 that Manitoba Hydro is setting up to make a whopping
10 \$63 million contribution to major projects or debt
11 retirement on the back of its 2017/'18 outlook.

12 We submit that this level of
13 contribution, in the context of Manitoba Hydro's scale
14 -- 'cause it sounds like a lot, but in the context of
15 our scale, it represents about .46 percent of the
16 combined budgets of Keeyask and Bipole III, or .27
17 percent of Manitoba Hydro's peak -- peak debt -- debt
18 of \$23 billion. And so it's largely an irrelevant
19 contribution.

20 MIPUG and the Coalition assert Manitoba
21 Hydro should not receive any interim rate relief due
22 to it -- its failure to put its regulatory house in
23 order -- another very good sound bite, but not
24 accurate. They're -- they -- they also complain that
25 Manitoba Hydro failed to meet the Board directive to

1 file the December 6 -- December -- to file the rate
2 application by December of 2016.

3 Manitoba Hydro's very disappointed that
4 MIPUG and Coalition do not see the val -- value in the
5 initiatives the Corporation was undertaking that
6 delayed its ability to complete a financial forecast
7 and make a rate application. These activities were
8 expressly designed for Manitoba Hydro to do everything
9 in its power to mitigate rate impacts on its
10 customers.

11 For example, Manitoba Hydro designed
12 and executed a substantially enhanced cost reduction
13 program that, it should be noted, reflects a huge
14 contribution to MIPUG's precisely equal MH16 as
15 compared to MH15 argument.

16 Manitoba Hydro has identified over
17 eight hundred (800) people to leave the company by
18 January 2018. It also approached the Province of
19 Manitoba to consider making an equity investment in
20 Man -- in Manitoba Hydro to help shore up its balance
21 sheet and mitigate rate impacts to our customers.
22 That -- that proved unsuccessful, but nonetheless,
23 these were essential steps to take before coming to
24 this Board with a rate ask.

25 To suggest the time required to take

1 the -- these steps now serves to preclude an annual
2 rate increase is entirely inappropriate. These are
3 the steps that the Board has indicated in the past
4 should be taken and must be taken before we come to
5 this Board.

6 Dealing with GAC's comments, they
7 recommended that Manitoba Hydro file a strategic plan
8 to cap and reduce energy burdens in LICO 125
9 customers. Manitoba Hydro notes that at the
10 commencement of yesterday's oral hearing, the Chairman
11 -- you requested a brief oral report on Manitoba
12 Hydro's bill affordability workshop which was held on
13 July 13th, and specifically requested information on
14 what was expected to be accomplished in the
15 anticipated time frame.

16 Mr. Barnlund will provide Manitoba
17 Hydro's update at the conclusion of our oral
18 submission. But in response to GAC's recommendation,
19 Manitoba Hydro notes that it will introduce its
20 proposed alternative residential rate sign, which is
21 intended to consider affordability for electric heat
22 customers, and that Intervenors will also have an
23 opportunity to address their -- to introduce their own
24 rate design proposals at the Intervenor evidence stage
25 of this process.

1 During the current hearing process,
2 however, there is neither sufficient time nor
3 resources to develop the type of strategic plan being
4 requested by GAC. GAC acknowledges that any pause in
5 rate increases will have to be made up by accelerating
6 future rate increases.

7 At the same time, GAC recommends a 3.36
8 percent increase, presumably because it was the last
9 approved rate increase by this Board. 3.36 percent,
10 however, does not address the circumstances the
11 Corporation currently faces. We note that if 3.36
12 percent were to be adopted by this Board, Manitoba
13 Hydro's evidence at page 11 of MH16 updated, February
14 16, indicates the accelerated future increase would be
15 9.51 percent.

16 While Manitoba Hydro appreciates GAC's
17 recognition of the need for rate increases, a number
18 without a solid analytical backing is not the proper
19 way to address the problem.

20 MKO, they allege that since the NFAT,
21 nothing has been done to decrease costs on the First
22 Nations. Again, it's very disappointing to hear this
23 is how MKO views Manitoba Hydro's efforts to date.
24 The assertion is unfair. In the current filing at Tab
25 10, Appendix 10.8, Manitoba Hydro has filed its

1 2015/'16 affordable energy report, and on June 30th,
2 Manitoba Hydro filed it's 2016/'17 affordable energy
3 report.

4 Now, I'm not going to go into specifics
5 or details contained in those reports. I would
6 recommend them to counsel for MKO's reading so he can
7 educate himself on what has been done in those
8 communities. The reports outline very clearly that
9 activities, plans, and initiatives are -- are being
10 undertaking by Manitoba Hydro in a number of First
11 Nation commu -- communities.

12 So in summary, Manitoba Hydro submits
13 demonstration of urgency, emergency, special
14 circumstance, whatever you call it, it's not required.
15 Manitoba Hydro has complied with the PUB's accounting
16 directives in Order 73/'15. A comparison of MH15 and
17 MH16 updated demonstrates a significant deterioration
18 to the outlook for Manitoba Hydro over the next ten
19 (10) years, domestic revenues down 90 -- 900 million.
20 Load growth net of DSM, flat. Export prices, down,
21 lowering expat -- export revenues by \$880 million.
22 Capital costs of major new projects, significantly
23 higher, and they're driving increased carrying costs.
24 Manitoba Hydro cannot count on growth,
25 nor factors outside its control, namely historically

1 low interest rates or above-average water flows, to
2 recover from the significant deterioration in its
3 financial strength. The impact of revenues and
4 expenses of Bipole are coming online, and they're
5 coming online soon. In one (1) year's time, it's \$205
6 million annually.

7 Rates today are materially too low from
8 where they need to be come July 2018 when Bipole III
9 comes into service. Pushing this problem down the
10 road is letting hope triumph over experience, and that
11 is not a prudent or recommended course of action.

12 Now, that's Manitoba -- our submission.
13 I'm going to -- subject to any questions, I would turn
14 the mic over to Mr. Barnlund to provide his update.

15 THE CHAIRPERSON: You know what, there
16 -- there may be a number of questions. I have a
17 number of questions, and I'm -- I'm just wondering if
18 we can take a break now until twenty (20) to 11:00,
19 and then we'll deal with Mr. Barnlund and questions to
20 you. Okay?

21 MR. GEORGE ORLE: Mr. Chairman --

22 THE CHAIRPERSON: Yes?

23 MR. GEORGE ORLE: Excuse me, Mr.

24 Chairman. George Orle.

25 Just before we take the break, I -- I

1 wanted to advise the -- the panel that I will be
2 asking permission to make a response to the reply, not
3 in regards to the argument, but a matter that was
4 raised in reply that had not been raised in any of the
5 submissions, particularly the Crown Corporations
6 Governance and Accountability Act where there's one
7 (1) section that has not been put before the Board
8 which I believe is integral to the argument, and I'll
9 be asking for permission to deal with that point.

10 THE CHAIRPERSON: Okay. Only on that
11 point.

12 MR. GEORGE ORLE: Only on that point.

13 THE CHAIRPERSON: Okay. Sure. Thank
14 you.

15

16 --- Upon recessing at 10:24 a.m.

17 --- Upon resuming at 10:42 a.m.

18

19 THE CHAIRPERSON: Okay. I -- I think
20 what we'll do is we'll proceed with Mr. Barn --
21 Barnlund first. Then we'll deal with Mr. Orle's
22 matter. I will ask to hear from you, Ms. Ramage,
23 before we proceed with his.

24 Mr. Barnlund...? And then we'll have
25 questions from -- from the panel. Okay.

1 MR. GREG BARNLUND: Good morning.
2 Thank you, Mr. Chair. Good morning, panel members,
3 and ladies and gentlemen in attendance.

4 I'd like to provide an update on
5 particularly three (3) items, two (2) items associated
6 with bill affordability, and the third item to discuss
7 the purpose of the technical conference that's
8 scheduled for this boardroom tomorrow.

9 In terms of bill affordability, there's
10 really two (2) developments that I'd like to report
11 on. First hand, on June 22nd, Manitoba Hydro convened
12 the first meeting of a bill affordability advisory
13 group. Manitoba Hydro has utilized advisory groups in
14 the past on lower income programming issues, and on
15 the development of demand-side management, and sees
16 value in having an open conversation with
17 representatives who have an interest in lower income
18 and bill affordability matters.

19 And so we have initiated a new working
20 group, or a new advisory group to deal with those
21 particular matters. The first meeting we held, of
22 course, as I mentioned, on the 22nd of June. We had
23 invited all of the parties that were involved in the
24 previous bill affordability working group.

25 Unfortunately, there was only three (3)

1 that were able to attend that meeting, Manitoba Metis
2 Federation, Social Planning Counsel of Winnipeg, and
3 Green Action were in attendance. But we have provided
4 the information that -- that was covered in that
5 meeting to all of the invitees.

6 And what we addressed in that meeting
7 was a -- a review of the bill affordability working
8 group report that was prepared last year, and Manitoba
9 Hydro's perspectives in terms of our -- the
10 recommendations of that report.

11 The second item that we provided to the
12 -- to the members of that committee of the advisory
13 group was the results of research that Manitoba has
14 undertaken with Probe Research Firm, which was a
15 specific research that was conducted, and it's called
16 'The Indigenous Voices Omnibus Survey'.

17 And it was regarding bill payments and
18 affordabil -- affordability issues of Indi --
19 Indigenous customers. And that -- the results of that
20 research was circulated to the members of that
21 committee.

22 So the advisory group, the intention of
23 that is to have that as an ongoing feature of our bill
24 affordability program so that we have a way of
25 communicating with parties that have an interest in

1 bill affordability and lower income matters; two-way
2 communication where we can provide information in
3 terms of Manitoba Hydro's ideas and new perspectives;
4 and to be able to receive information from parties
5 that are involved in that particular topic area.

6 The other matter was the rate design
7 workshop that was conducted last Thursday that
8 Manitoba Hydro's building. The purpose of that
9 workshop was, as we had mentioned before in the pre-
10 hearing conference, that Manitoba Hydro is intent on
11 providing an alternative revenue neutral rate design
12 proposal for consideration in this public hearing to
13 accompany the original rate design proposal that
14 Manitoba Hydro filed in its materials in May of this
15 year.

16 The purpose of that workshop that we
17 held last Thursday was to be able to, first and
18 foremost, communicate to the interested parties and
19 Intervenors in attendance of some of the
20 characteristics of the -- Manitoba Hydro's residential
21 customer base, a discussion of the effects on climate
22 on bills, the effects of -- of geographic diversity in
23 terms of customer bills, and to also talk about
24 Manitoba Hydro's current rate design, and, further,
25 its -- its rate design goals and principles and sor --

1 sort of the guidance that Manitoba Hydro relies upon
2 internally in terms of making decisions with respect
3 to rate design matters.

4 There was also a good opportunity in
5 the afternoon for parties to present their
6 perspectives which Manitoba Hydro is interested in
7 learning about in terms of rate design matters for the
8 residential customer class.

9 And information was received from MKO,
10 the Assembly of Manitoba Chiefs, Consumer Coalition,
11 and the Green Action Centre. And so Manitoba Hydro
12 advised parties that it was open to receiving that
13 information in writing and any further input they may
14 provide until July 31st. We would like to be able to
15 have them provide anything that they would like us to
16 consider in that period of time.

17 At that point, Manitoba Hydro is -- is
18 -- as I say, we're currently assessing what we might
19 do in terms of an alternate revenue neutral rate
20 design proposal that would have some accommodation for
21 affordability concerns for electric heat customers.

22 Our intention would be to provide a
23 report to the Public Utilities Board and a working
24 alternative to be introduced for review in this public
25 review approximately by mid-August. The intent would

1 be that we would be open to Information Requests on
2 that material at that point in time with our attempt
3 to be able to provide responses to that on the
4 deadline of first round Information Requests September
5 5th. So that's our intention with respect to the
6 alternate rate design for residential customers.

7 The third item was to discuss the
8 matter of the technical conference scheduled for
9 tomorrow. And -- and I reflect on the matter at hand
10 is really asset, condition asset management and
11 Manitoba Hydro's asset investment strategy.

12 So a review of Manitoba Hydro's asset
13 management and asset condition was undertaken in the
14 2015 GRA. So that discussion was useful, but I think
15 it was somewhat burdened by the complexity of the
16 subject matter and some potential confusion in the
17 terms and the vocabulary used in terms of discussing
18 that particular subject matter.

19 Our intent with respect to hosting a
20 technical conference tomorrow is to provide a non-
21 evidentiary session where we can have a good
22 discussion of the background of what Manitoba Hydro's
23 asset management processes are, how asset condition
24 studies fit into those processes, to talk about the
25 individual components of that -- of all that subject

1 matter and to be able to exchange information with
2 intervenors and their experts to be able to develop a
3 common vocabulary and a common understanding of the
4 subject matter itself with an idea that it would
5 assist the formulation of Information Requests that
6 were more targeted and -- and basically more efficient
7 in terms of how we could be examined on those
8 particular subject matter areas. And that's the
9 intent of the -- of the technical conference.

10 We'd have our expert speaking -- our
11 internal staff expert speaking to the concepts, but
12 not providing evidence in terms of what we're doing
13 with regards to asset management itself; but to be
14 able to facilitate a good understanding of the
15 concepts and a good understanding of the vocabulary
16 that we use with respect to asset condition, asset
17 health, asset management, and our investment policies.

18 THE CHAIRPERSON: Sorry. I need
19 stronger thumbs. Mr. Barnlund, who's attending
20 tomorrow?

21 MR. GREG BARNLUND: We had extended
22 invitations to all of the parties involved in this
23 particular hearing.

24 THE CHAIRPERSON: Yeah.

25 MR. GREG BARNLUND: I would have to

1 check on that, but I believe that we have
2 representatives of PUB staff and advisors. We would
3 have representatives I believe of the Coalition's
4 experts, and I believe MIPUG would be in attendance as
5 well.

6 THE CHAIRPERSON: Okay.

7 MR. GREG BARNLUND: I'd have to check
8 beyond that to see if we have others. It appears that
9 MKO would be in attendance on that as well, I believe,
10 so -- I apologize. I don't have the list.

11 THE CHAIRPERSON: No, that's fine.

12 MR. GREG BARNLUND: Yeah.

13 THE CHAIRPERSON: Thank you.

14 Mr. Orle, before you put it in, can you
15 tell us the substance matter of what you want to
16 raise? Because I want to get the position of Hydro in
17 terms of -- sorry, mic, yeah.

18 MR. GEORGE ORLE: A section of the
19 Crown Corporations Governance and Accountability Act
20 that appears to deal with jurisdiction on dealing with
21 interim orders --

22 THE CHAIRPERSON: Okay.

23 MR. GEORGE ORLE: -- and the manner in
24 which the -- the Board can take it into account.

25 THE CHAIRPERSON: And I take it it was

1 not one (1) of the sections Ms. Ramage -- that
2 Manitoba Hydro raised this morning?

3 MR. GEORGE ORLE: No. I don't raise
4 this for argument purposes --

5 THE CHAIRPERSON: Okay.

6 MR. GEORGE ORLE: -- only to bring it
7 to the attention of the Board.

8 THE CHAIRPERSON: Okay.

9 Ms. Ramage...?

10 MS. PATTI RAMAGE: From our
11 perspective, the Crown Corporations Act was open to
12 everyone to argue. For reasons we don't understand,
13 parties neglected to reference this section. I'm not
14 sure where Mr. Orle is going.

15 He's identified to me it's 26(3) he
16 wants to address. I have no issue with the Board
17 knowing that 23 -- 26(3) exists and what it says, but
18 I don't know what impact it has.

19 THE CHAIRPERSON: Okay.

20 MS. PATTI RAMAGE: Procedurally, I
21 have concerns, but it's -- it's a section of an act
22 that is there.

23 THE CHAIRPERSON: Okay. However, you
24 raised the -- you raised a number of sections in -- in
25 yours. And -- and, quite frankly, there was quite a

1 bit of leeway given this morning in reply. So I'm
2 going to allow Mr. Orle to raise, and then I'll --
3 you'll have an opportunity to reply to it. So --
4

5 REPLY BY MANITOBA KEEWATINOWI OKIMAKANAK:

6 MR. GEORGE ORLE: Okay. Thank you,
7 Mr. Chairman, members of the Board. Diana, if I could
8 have that section brought up, please.

9 The -- Part 4, the -- the first part
10 that we're -- we're dealing with, starts with 25(1)
11 which was referenced by -- by My Learned Friend. And
12 what it sets out, that --

13 THE CHAIRPERSON: Sorry, Mr. Orle.
14 This is -- we -- this -- okay, this is the Crown
15 Corporations Act. Okay. Thank you.

16 MR. GEORGE ORLE: In 25(3), you'll see
17 that -- the application of Public Utilities Board Act:

18 "The Public Utilities Board Act
19 applies with any necessary changes
20 to a review pursuant to this Part of
21 rates for services."

22 So to the extent that the -- the Board
23 has rights under this section and to deal with changes
24 in rates, it's to be consistent with the Public
25 Utilities Board Act. And this part takes precedence

1 over anything in the Public Utilities Act (sic) that
2 may be contradictory to it.

3 The part that I wanted to refer you to
4 was Section 26(3) which deals with orders made by the
5 Board where it's going to change a rate or increase a
6 rate that had previously been awarded. And the first
7 line is:

8 "The Public Utilities Board is --
9 where the Public Utilities Board is
10 satisfied that the circumstances of
11 a corporation have changed
12 substantially."

13 And I draw your attention to the word
14 'substantially'. There -- there's a basis there upon
15 which the -- the Public Utilities Board must look at
16 before it engages in any further process under the
17 terms of changing a rate or increasing a rate.

18 "The Public Utilities Board may, of
19 its own motion or on the application
20 of the corporation or an interested
21 person, review an order made
22 pursuant to this section and modify
23 the order in any manner that the
24 Public Utility Board considers
25 reasonable and justified in the

1 circumstances."

2 There's the second provision, and it's
3 not the manner in which the Hydro board or Hydro
4 determines or considers reasonable and justified.
5 It's what the Public Utilities Board considers to be
6 reasonable and justified. And if you take a look at
7 what the intention is, without dealing with what
8 actual words are, but what the intention is; when the
9 arguments are made in regards to urgency and
10 necessity, they net -- they follow from the words that
11 are put into the legislation.

12 You cannot determine reasonableness.
13 You can't determine justifiability without taking a
14 look at whether or not there's a necessity and whether
15 it's a necessity that is in regards to the time frame
16 that we're talking about.

17 I just bring to your attention the fact
18 that this is an interim order. Its to take effect
19 between the time that the order is made, August 1st,
20 to the time that you make your final order, which
21 realistically will not be any earlier than nine (9)
22 months from now, but will be within that period of
23 time so that the obligation upon you is to take a look
24 at what is reasonable and what is justified in the
25 course of making an order to cover that period of

1 time.

2 THE CHAIRPERSON: Thank you.

3 MR. GEORGE ORLE: That -- that was the
4 part that I wanted to bring to your attention.

5 THE CHAIRPERSON: Thank you. Ms.
6 Ramage...?

7 RE-REPLY BY MANITOBA HYDRO:

8 MS. PATTI RAMAGE: I would comment
9 that I think Mr. Orle has misapprehended the
10 legislation. Section 26 comprehensively deals with
11 multi-year approvals. This Board is allowed to issue
12 rate orders three (3) years out in advance.

13 THE CHAIRPERSON: Sorry, can we go up
14 to 26(1)? Yeah.

15 MS. PATTI RAMAGE: Yeah, so if you
16 look at 26(1), the Corporation can submit proposals
17 for rates up to three (3) years, those increases. And
18 then we go down to 26(3), part of the same section,
19 that -- and that deals with the issue of when this
20 Board issues a multi-year rate approval, so.

21 In 2017 it issues a rate approval for
22 2020. That gives parties the ability to go back and
23 address that rate order if there's been a change in
24 circumstances. It's not intended to deal with interim
25 rates. Interim rates are a completely different

1 section, 20 -- 27 and Manitoba Hydro -- if you
2 accepted Mr. Orle's interpretation any rate increase
3 would have to be always accompanied by a substantial
4 change or anything.

5 It wouldn't guide the Corporation
6 through time. It would -- it -- we would always be
7 looking at -- at that sort of a test, which is -- is
8 clearly not the case, so that would be Manitoba
9 Hydro's response.

10 THE CHAIRPERSON: Thank you. So we're
11 going to move to questions from the panel now. Do you
12 want to lead?

13 BOARD MEMBER KAPITANY: Sure.

14 THE CHAIRPERSON: Okay.

15

16 QUESTION PERIOD:

17 BOARD MEMBER KAPITANY: Thank you. I
18 have two (2) questions. The first is on your slide
19 25. So can you clarify for me the second green bar.
20 The second green bar on your slide, can you clarify
21 for me how this reflects what will be in the deferral
22 account for Bipole III that was first established in
23 Order 43/'13 and then has been added to over time?

24

25 (BRIEF PAUSE)

1 MS. PATTI RAMAGE: I'm going to try
2 this. The green bar itself is representing what is
3 being recovered in rates when we move from a in ser --
4 from a -- a project being built to in service. So
5 we're recovering that. So that represents what's
6 going to now flow straight into rates. It does not
7 deal with the Bipole reserve that has been built up up
8 until now.

9 That we will await the Board's
10 direction on in terms of what to do with that fund.
11 I'm advised that that deferral account is -- will not
12 make a substantial impact and -- yeah, not on an
13 ongoing basis, it -- it would be sort of a,
14 potentially a one (1) time hit or how the Board wants
15 to -- to spread that out.

16 So it's approximately \$360 million that
17 has built up in that account.

18 BOARD MEMBER KAPITANY: And so then,
19 the \$205 million that you reference in the box in the
20 top right, would be reduced by some amount, depending
21 on the treatment --

22 MS. PATTI RAMAGE: Depending on that
23 treatment --

24 BOARD MEMBER KAPITANY: -- that is
25 determined for that?

1 MS. PATTI RAMAGE: -- you have -- you
2 have that pool of funds to address. Yeah. Yeah. You
3 have that finite amount that can address something,
4 but it's roughly three hundred sixty (360) against a
5 two hundred and five (205) a year.

6 So if you did it all in the first year,
7 and part in the second year, it's gone. So it's --
8 it's not something that can be done through time.

9 BOARD MEMBER KAPITANY: Okay. But it
10 wasn't -- it's not treated at all in this slide as it
11 stands?

12 THE CHAIRMAN: Right.

13 BOARD MEMBER KAPITANY: Okay. Thank
14 you.

15 THE CHAIRMAN: It's not included.

16 BOARD MEMBER KAPITANY: Yeah. My
17 second question is on slide 27.

18 THE CHAIRPERSON: Sorry, Ms. Ramage,
19 can you just move your mic a little closer? Thanks.

20 BOARD MEMBER KAPITANY: So on slide 27
21 -- and -- and I confess that it -- it has been
22 difficult during this hearing to keep straight what is
23 the interim rate portion and what is the general rate
24 application portion. But given that we're -- this
25 hearing is intended to deal with the interim rate, in

1 the context of the interim rate, I didn't believe that
2 I heard MIPUG or the Coalition say that they wanted to
3 set the interim rate based on water flows that are
4 perpetual.

5 And I wondered if you could direct me
6 to where you drew that conclusion?

7 MS. PATTI RAMAGE: I -- I don't have
8 the transcript in front of me, but what we were
9 addressing was that the MIPUG and Coalition arguments
10 were saying, Hey, look, you've got \$92 million or 107
11 million -- I think it was \$107 million in net income
12 in the test years and -- and that I recall the
13 Coalition said -- addressed water, and said, Hydro is
14 taking issue with its water, yet we believe this is
15 the best forecast available.

16 And we would agree with the best
17 forecast available, but they are asking that these
18 rates that be considered to be adequate, and that we
19 ought to take these positive water levels as -- as an
20 in -- into account and say that all is good with this
21 water, when in fact, Manitoba Hydro's position is you
22 should look at what your financial structure is if you
23 don't have that water, because it's not something in
24 control.

25 My -- Coalition's position was, It's in

1 the forecast, therefore, take it into account. And
2 that's what we wanted to communicate with this, is
3 that if you accept that position, you should know what
4 happens if you don't have that water, and -- and
5 because we -- we're taking a position that this
6 interim rate is part of an overall series of rate
7 increases that are in place.

8 And so while we're addressing the
9 interim, there is no doubt that it's part of looking
10 to the future, because we're saying, What's going to
11 happen in twelve (12) months and beyond, and that we
12 ought not to be relying on water, thinking that will
13 continue to -- to save us.

14

15 (BRIEF PAUSE)

16

17 BOARD MEMBER MCCUTCHEON: My question
18 is on slides 21 and 22, to do with debt. You
19 referenced, and -- and I guess it's clarification, a -
20 - a new debt management strategy using different
21 instruments, shorter-term instruments, some as short
22 as five (5) years. And I think you also, again, for
23 clarification, said that that strategy was dependent
24 on the proposed rate structures, the seven point nine
25 (7.9).

1 I was just wondering, is that strategy
2 -- is the interim included in that strategy, or is
3 that, again, a GRA issue?

4 MS. PATTI RAMAGE: Yes, the -- the
5 interim is dra -- definitely included in the strategy.
6 If the interim wasn't part of it, we wouldn't have the
7 cash, we -- we wouldn't be building the cash necessary
8 to ultimately affect the goal of that strategy. And
9 if we don't have the cash to affect the goal of the
10 strategy, what we are doing by -- by doing this is
11 exposing ourselves to greater interest rate risk.

12 So it's sort of -- we have to have it
13 all to be able to affect the saving. And if we don't
14 have the -- the interim and it assumes the rate
15 increases, that that strategy would not be something
16 that you would want to pursue because of the exposure
17 to interest rate risk in the future.

18 BOARD MEMBER MCCUTCHEON: Okay. And
19 just a simple, quick follow-up. So that -- have you
20 already embarked on that new strategy?

21 MS. PATTI RAMAGE: Yes, that's
22 correct.

23 THE CHAIRPERSON: Okay. My first
24 question is for Ms. Fernandes, and you were dealing
25 with the issue of Section 47(2) and 48, and -- and the

1 issue of not slipping from one (1) to the other
2 sections, and -- and the fact that the issue of the
3 Board -- whether the Board should be following
4 statute.

5 The -- the question I have for you is
6 more a general question is whether the Board -- what
7 the position of Hydro is on the Board following its
8 previous decisions, because in 59/'16, we -- the --
9 this Board, prior to -- to my time, made a specific
10 comment about in any future interim application prior
11 to a GRA.

12 And I'm just wondering what the
13 position of Hydro is, whether we should actually be
14 following our earlier decisions, or just ignoring our
15 earlier decisions.

16 MS. ODETTE FERNANDES: I believe in my
17 submission to you, I had referenced four (4) previous
18 decisions where the Board rejected the notion of
19 urgency in special circumstances, and while the Board
20 did provide commentary with respect to special and
21 urgent circumstances in Order 59/'16, this is where we
22 caution the Board in terms of your mandate as set out
23 in the legislation, and the legislation under 47(2)
24 doesn't limit your ability to enter -- to issue
25 interim rate orders for the specific reasons of

1 urgency and special circumstances.

2 So that's where, I think, I was
3 cautioning the Board in terms of limiting its
4 jurisdiction under 47(2) as a result of some
5 commentary made in --

6 THE CHAIRPERSON: In the previ --

7 MS. ODETTE FERNANDES: -- that Board
8 order.

9 THE CHAIRPERSON: -- but in the
10 previous Board orders, if I'm -- tell me I'm not
11 correct -- if I'm not correct, the previous Board
12 orders were cases where the Board received an
13 application fresh for an interim and said, Urgency's -
14 - we don't have to see urgency to consider it.

15 It's not a situation where there was a
16 previous Board -- a previous order where the Board
17 says, You know, if you want an interim, here's what
18 you have to show.

19

20 (BRIEF PAUSE)

21

22 MS. ODETTE FERNANDES: I think it goes
23 to the issue of fettering the Board's discretion. We
24 don't think it's appropriate to be issuing orders that
25 fetters discretions of future Boards when the facts

1 are unknown and the reasons are unknown as to why
2 applications are made. So that was our comments on...

3 THE CHAIRPERSON: Okay.

4

5 (BRIEF PAUSE)

6

7 MS. ODETTE FERNANDES: In terms of the
8 previous orders, Ms. Ramage reminds me that those were
9 based on their own merits, as well, and we are
10 requesting the same of this Board.

11 THE CHAIRPERSON: Yeah. Diana, can
12 you bring up screen 17.

13

14 (BRIEF PAUSE)

15

16 THE CHAIRPERSON: Okay. And seventeen
17 (17) and eighteen (18), can -- sorry, can you move to
18 eighteen (18) as well.

19

20 (BRIEF PAUSE)

21

22 THE CHAIRPERSON: Great. In your
23 presentation, as I understood it, your comment was --
24 and I'm -- I -- I thought it was those screens. I'm
25 not sure.

1 "Manitoba Hydro isn't too
2 pessimistic, and relies on PUB
3 concerns in earlier hearings."

4 I -- I'm a little confused now, because
5 as I understand your argument -- I just want to know
6 I'm correct -- what you're saying is our current
7 projections aren't too pessimistic. You, PUB, had
8 concerns about what we did before, and your concerns
9 were valid. So now our -- our current projections are
10 correct.

11 Do I understand the argument is
12 Manitoba Hydro was wrong on its earlier projections?

13 MS. PATTI RAMAGE: I -- I never like
14 the word 'wrong' when you're talking about a forecast.
15 A forecast is based on the best information available,
16 and it is based on judgment. And Manitoba Hydro, with
17 the benefit of hindsight -- which is always easy --
18 says, Those forecasts were probably too optimistic.
19 And we look at the PUB's comments and we say, They had
20 concerns.

21 I certainly recall at the NFAT,
22 spending a lot of time talking about those potential
23 large loads. And it certainly wasn't that Manitoba
24 Hydro was without concern. It was that, What do you
25 do with what you don't know?

1 And -- but with the benefit of
2 experience now, we say, Geez, we look back and -- and
3 it hasn't happened in multiple successive years. We
4 can look at the Intervenor comments on this, we can
5 look at the Board's comments, and, yeah, it's time to
6 say we were being too optimistic.

7 THE CHAIRPERSON: Okay.

8 MS. PATTI RAMAGE: I don't like
9 'wrong' though, because we don't have a crystal ball,
10 and we don't claim to have a crystal ball. The
11 forecast is intended -- the best thing, in my view, a
12 forecast is for is to give you the range. You know,
13 it -- it helps you tell where it can go wrong, and you
14 see, you know, through your percentiles. But they're
15 never going to be right. You're always going to find
16 them wrong.

17 THE CHAIRPERSON: Here is the problem
18 I have, Ms. Ramage. This is your submission, Order
19 73/'15, this Board -- and this was way before my time:

20 "There is evidence that Manitoba
21 Hydro consistently overestimates the
22 top consumers' load growth."

23 That's the submission you put forward
24 in terms of your position now. Page 87:

25 "The Board is concerned that

1 successive Manitoba Hydro export
2 price forecasts have been revised
3 downward and consistently
4 overestimate -- and consistently
5 overestimate actual results."

6 These are going to be, I'm sure,
7 reviewed in much more detail in a GRA, but we're put
8 in this position now of having to deal with your
9 submission that the Board was right in these instances
10 in terms of -- on going forward. And I just -- that -
11 - that's the problem we ran into.

12 MS. PATTI RAMAGE: And I think -- I
13 think you've got it. The Board was right, but what we
14 were addressing is what we were hearing from
15 Intervenors. After years of complaining about this
16 issue, we've now addressed it, and we've addressed it
17 the way others wanted us to. And now we are being
18 told we're being pessimistic because it doesn't work
19 in their favour any more, because now, when we are
20 taking a -- a more conservative view, we're being
21 told, That's a pessimistic view.

22 And we were trying to point out that,
23 Hold on, this has been reviewed ad nauseam at the --
24 in the past. We took a position. We're not taking
25 that position any more. We're going to say, Okay,

1 let's back off this PLIL load and our top con -- our
2 top consumers' estimates, because we have been
3 consistently -- consistently over-optimistic.

4 THE CHAIRPERSON: Okay. Now that I
5 have you, Ms. Ramage, Mr. Orle yesterday suggested
6 that our choice is seven point nine (7.9) or zero. I
7 was expecting to hear something from you on that, so
8 I'll just put it to you.

9 In terms of our -- our ability, I -- I
10 think the comment was that we lacked the expertise.
11 But in -- in terms of -- of the -- the statement, are
12 we looking at seven point nine (7.9) or zero?

13 MS. PATTI RAMAGE: There is a
14 decision. I don't have it in front of me. It's the
15 Manitoba Motorcycles Coalition case with the PUB, and
16 it went to, I believe, the Court of Appeal. And
17 Manitoba Motorcycles was an Intervenor in an MPI
18 decision, and they took the position is was approve or
19 not approve, which I take as essentially the same.
20 It's seven point nine (7.9) or nothing.

21 And the Court of Appeal made very clear
22 that the Board was entitled to -- was an expert board.
23 I believe it is an expert board, it is -- it's going
24 to -- it has support of -- of advisors, professional
25 advisors, and that the PUB has the ability to impose

1 its own judgment on a rate application and that it's
2 not an all-or-nothing.

3 THE CHAIRPERSON: Okay. Screen 27,
4 Diana.

5 MS. PATTI RAMAGE: I just add, Ms.
6 Fernandez, and we'll get a reference, reminds me there
7 is a section in the legislation which says the Board
8 can order all or partial of an application.

9 THE CHAIRPERSON: Sorry. You know
10 what -- of the -- right.

11 This issue of average generation, as I
12 understand it, you're talking about average generation
13 simply for long-range projections. Is that correct?

14 MS. PATTI RAMAGE: Yeah, average is --
15 is used for the long-term. It's an average of roughly
16 the last hundred years of -- of flows.

17 THE CHAIRPERSON: Okay. So if you
18 were before us this year and we were in a drought
19 would you be talking about drought or would you be
20 talking about average generation?

21

22 (BRIEF PAUSE)

23

24 MS. PATTI RAMAGE: What we would have
25 to be looking at is looking at setting rates in a

1 steady state, in a -- in a manner that can deal with
2 drought. So I would suggest that we would be looking
3 outwards at the average. We would -- we would be
4 recognizing the -- the situation we're in, but it
5 wouldn't change the use of the average component in
6 the -- in the long-term forecast.

7 THE CHAIRPERSON: Okay. Those are my
8 questions. Anyone else?

9 MR. BOB PETERS: Mr. Chairman, if I
10 could. Just referring back to my notes. When Mr.
11 Barnlund had the mic, and I -- I just want the Board
12 and counsel to be aware -- and, Diana, I have PUB's
13 procedural Order 70/'17 on my screen and page 27. If
14 you could find it while I go back. And I -- I'd ask
15 Ms. Ramage and Ms. Fernandez and perhaps to ask Mr.
16 Barnlund to comment on one (1) matter that is seen at
17 this time by us as different from what the Board had
18 ordered.

19 And the technical conference on the
20 base capital and the asset management and Manitoba
21 Hydro's plans is -- is being put forward as a non-
22 evidentiary session to discuss individual components
23 and vocabulary are some of my notes.

24 I -- I see that on the face of it as
25 inconsistent with the PUB Order 70/'17 on page 27

1 where the Board indicated -- sorry, under, "Technical
2 workshops," on page 27:

3 "The examination of the topics of
4 base capital and asset assessments
5 were going to proceed by way of a
6 technical conference. And the
7 technical conference will be
8 transcribed and filed as an exhibit
9 in the GRA to allow Intervenors to
10 rely on the information without
11 having to file written Information
12 Requests to verify what was said."

13 I just would like the Corporation to
14 explain to the Board if -- if there's an expectation
15 now that following the technical conference of
16 tomorrow, that by Monday of next week written
17 Information Requests will be filed in respect of the
18 base capital in the asset management process or is it
19 -- and there's no way to rely on the technical
20 conference, but parties are now going to be expected
21 to -- to put in written requests rather than discuss
22 it with the Hydro employees.

23 MS. PATTI RAMAGE: Well, if -- if we
24 look to the bottom of page 27 of that order, it says:

25 "Such technical conference is

1 intended to enhance the
2 understanding of the Intervenors
3 such that written Information
4 Requests of Manitoba Hydro will be
5 greatly reduced."

6 And I believe if we look at Mr.
7 Barnlund's comments made at the pre-hearing
8 conference, going down a similar vain is what he was
9 talking about, is at this technical conference he saw
10 it as benefiting the Information Request process by --
11 he used the word 'streamlining' it. And streamlining
12 it to make sure Information Requests are of a better
13 quality, and address those issues better by gaining an
14 understanding of the terminology Manitoba Hydro uses,
15 the general structure that is used by Manitoba Hydro
16 in its asset condition management, and to get that
17 information out to -- to parties.

18 And we have discussed this, and to --
19 it is virtually impossible for any Manitoba Hydro
20 employee to answer questions on technical detail on
21 the fly. It's certainly our -- it -- it has been a
22 concern of Manitoba Hydro always that parties think
23 that we can press a button on a computer and it spits
24 out the response to Information Request. It doesn't.
25 It takes -- it takes work to come out to those

1 answers.

2 So it's not really realistic to think
3 that anyone could just answer detailed technical
4 questions on the fly. And so where a technical
5 conference serves to streamline Information Requests
6 is by making sure everybody has that -- is working
7 from a com -- common knowledge base, from common
8 terminology, from understanding of what Manitoba
9 Hydro's asset management programs are, making sure --
10 sure that what one (1) party thinks means this,
11 another party doesn't.

12 And to that end, we can answer those
13 questions, and we will attempt to answer any other
14 questions that are provided but any sort of a detailed
15 technical, number-driven question always requires
16 analysis ahead of time. And when we come to an actual
17 hearing, you will see people with binders of
18 preparation materials based on the Information
19 Requests that have been asked of them. And the
20 background material to be able to do that, and we
21 can't make that preparation without going through the
22 IR process. We can't do it on the fly.

23 So we are going to -- the intent
24 tomorrow from our perspective is to get that base
25 education, and to educate parties, and for them to

1 educate us what they mean, and to -- to get that base
2 information out there and high level questions on that
3 base information, certainly.

4 And if that aides -- but the -- the
5 goal is to improve the -- the quality and perhaps the
6 number of IRs. But it's the quality that I think that
7 we're going to get the greatest bang for our buck out
8 of a technical conference like that.

9 MR. BOB PETERS: Mr. Chair, I thank
10 Ms. Ramage for that explanation but I'll maybe be more
11 pointed in my request question is that: If I look at
12 the second sentence of the paragraph that's on the
13 screen I'm understanding Manitoba Hydro's position to
14 be that whatever information is provided tomorrow
15 cannot be relied on by the Intervenors without
16 providing a written Information Request to verify what
17 was said.

18 And if -- if I'm understanding that
19 correct, I want the parties to be aware of it. I also
20 think Manitoba Hydro has to be aware that they'll be
21 inviting more Information Requests than had previously
22 been considered.

23 MS. PATTI RAMAGE: And I apologize if
24 I -- I wasn't picking up the actual question.

25 Manitoba Hydro's view is that the --

1 the exer -- the technical conference will be
2 transcribed. We would not -- we don't support the
3 idea of having our staff sworn at that because frankly
4 our staff have never appeared in front of this Board.
5 They're -- Mr. Wortley behind me came today. He will
6 be leading this technical conference tomorrow.

7 He came so he can see what the room
8 looks like. So he could see how this is done. He
9 hasn't participated in any Manitoba Hydro, Public
10 Utility Board, or regulatory process of any kind in
11 his career. And we are going to be putting him up, so
12 -- to answer questions, and he will answer them to the
13 best of his ability.

14 Our view is to accommodate the need and
15 certainly our desire to reduce IRs, is we would --
16 could review that transcript after, and confirm we
17 believe it's accurate and can be relied upon.

18 And my fear with all due respect to Mr.
19 Wortley, is he is going to be, and try to be
20 exceptionally helpful. And we want to make sure that
21 when he is helpful that he hasn't had that sort of
22 witness experience to -- to ensure those answers are -
23 - are as refined as -- as we -- as happens when we go
24 through an IR process.

25 So we would just like the opportunity

1 to read the transcript, and have him confirm if there
2 is any --

3 THE CHAIRPERSON: Is it contemplated
4 it will be filed as an exhibit?

5 MS. PATTI RAMAGE: That would be
6 perfectly fine with --

7 THE CHAIRPERSON: I mean --

8 MS. PATTI RAMAGE: -- Manitoba Hydro.

9 THE CHAIRPERSON: -- I -- I think -- I
10 think there -- there may have been a -- a
11 misunderstanding or glitch. We'll -- we'll go ahead
12 with it. Unfortunately, we -- we may not -- we -- we
13 may have more education among the parties. We may not
14 end up with the result we had hoped for, which is
15 fewer IRs. And then we'll have to -- we'll have to
16 deal with it, and maybe next time, we'll -- we'll be
17 even more specific in terms of what's expected.

18 MS. PATTI RAMAGE: Mr. Chairman, can I
19 go back to your question on water?

20 THE CHAIRPERSON: Yeah.

21 MS. PATTI RAMAGE: And -- because in a
22 brief -- brief whispering with Mr. McCallum, he
23 reminds me that the water risk as I discussed earlier
24 is not symmetric. The help from high water is
25 significantly lower than the quantum of the hurt from

1 low water. We saw that back in 2003, when I think our
2 losses in one (1) year were 452 million.

3 So our position on rates during a
4 drought is that rates should be moved to reflect the
5 current real costs of the business in a normal
6 environment so that we don't need to adjust rates
7 during low water. But our ultimate position on
8 drought relief is going to be a function of whether
9 those rates have been adjusted already, and that --
10 and that they've been adjusted appropriately for the
11 length and severity of the water we ultimately
12 encounter.

13 And I think that's consistent with what
14 Manitoba Hydro did in the past, and leading up to the
15 2003 drought, but when the drought actually hit in
16 that case, yes, there was a rate increase required
17 that was more than -- the -- or the Board certainly
18 deemed it more than what they had.

19 THE CHAIRPERSON: As I understand it,
20 the Board, on its own, instituted a rate rider to --

21 MS. PATTI RAMAGE: I don't believe it
22 was a rate rider, but I believe Manitoba Hydro
23 requested 2 1/2 percent, and the Board awarded 5
24 percent --

25 THE CHAIRPERSON: 5 percent, correct.

1 MS. PATTI RAMAGE: -- because they
2 believed that Manitoba Hydro did require more than it
3 was requesting, but -- whereas Manitoba Hydro had
4 taken that long-term view and -- and was going to try
5 to ride it out.

6 THE CHAIRPERSON: Yeah. No, I
7 appreciate that. If there are -- if there are no
8 other questions from the panel, this will end the
9 panel. Sorry.

10 MR. ANTOINE HACAULT: Yeah. Sorry, it
11 just arises out of the discussion that the Board Chair
12 and Board counsel was having about this technical
13 conference. Our group is always very sensitive to
14 attending things which we will think will materially
15 assist in our understanding of the material and -- and
16 focus our efforts on helping the Board understand the
17 material.

18 And unfortunately, I'm left with a
19 doubt as to whether, having said I was going to show
20 up, if I'm just going to be explained, Well, when will
21 I say this, this is what it means, without getting
22 into substance of what's actually happening in asset
23 management, as to making a decision as to whether or
24 not I should even be assisting. So I just raise the
25 issue, because everybody is concerned about costs, and

1 we often get -- after we submit costs, we get comments
2 on, Did we use our time properly and efficiently. And
3 I just want to raise that issue now so we're upfront.

4 If I show up tomorrow, I -- I wasn't
5 expecting this kind of technical conference tomorrow.
6 If I show up tomorrow, I don't want anybody
7 complaining that somehow we wasted time and -- and
8 that we shouldn't -- shouldn't have been there trying
9 to -- or -- or our consultants trying to understand
10 something they already understood.

11 THE CHAIRPERSON: Well, Mr. Hacault, I
12 -- I'm -- I'm going to sort of preempt Ms. Ramage and
13 suggest that if you show up tomorrow, she's not going
14 to complain about costs for you showing up.

15 MS. PATTI RAMAGE: Yeah, the -- the
16 two (2) -- two (2) or three (3) hours, we'll give you
17 a -- a free --

18 THE CHAIRPERSON: Yeah.

19 MS. PATTI RAMAGE: -- pass on
20 tomorrow. But I think the -- Mr. Hacault raises a --
21 a good point when he talks about substance. We don't
22 know what that means right now. So what -- what's
23 coming down -- what comes down tomorrow will -- is to
24 be seen, but this shouldn't come as news as to anyone
25 in this room that we cannot answer detailed questions

1 on the fly.

2 THE CHAIRPERSON: Just on behalf of
3 the Board, I would say that we are trying to introduce
4 new steps to make the process more efficient.
5 Hopefully they'll work. They may not work the first
6 time. We may learn from this year and, you know, and
7 improve them later on.

8 But, quite frankly, the more the
9 parties talk prior to the hearing, our goal is to try
10 and get more discussion, and fewer IRs, and a more
11 streamlined process. So, you know, we'll -- we'll do
12 the best we can.

13 MS. PATTI RAMAGE: If I can comment,
14 there is nothing Manitoba Hydro wants more than fewer
15 IRs. We support trying these processes, but we want
16 parties to be -- like, we want to -- we want everyone
17 to know what we can and cannot do or what -- what we
18 think we can.

19 But we think -- we still think that,
20 when we get IRs and people ask about something, and
21 we're scratching our heads saying, Do you think that
22 means -- you know, do you think they mean this kind of
23 report, or do they mean this?, we think they're
24 worthwhile, because we do see it at our end. And I
25 don't think Intervenors realize how much scratching

1 goes on of heads at our end wondering what the IR
2 actually meant.

3 THE CHAIRPERSON: Scratching of heads
4 at all ends, I'm sure.

5 Thank you, all. We'll now adjourn.

6

7 --- Upon adjourning at 11:32 a.m.

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11 Certified Correct,

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14 _____

15 Cheryl Lavigne, Ms.

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