

Manitoba Hydro

2016 Cost of Service Review

PRE-HEARING CONFERENCE

Darren Rainkie, Vice-President Finance & Regulatory and CFO

Greg Barnlund, Division Manager, Rates & Regulatory Affairs

Marla Boyd, Legal Counsel

Manitoba Hydro's perspectives on the public review process

- Manitoba Hydro currently has a request before the PUB for approval of 3.95% interim rate increase for April 1, 2016.
- Manitoba Hydro fully expects to file a General Rate Application before the end of 2016 for a rate increase effective April 1, 2017.
- Window of opportunity to review Cost of Service matters prior to the next GRA.

Shared priorities – current and future

- The PUB established several priorities in Order 73/15:
 - Bill Affordability Stakeholder Engagement process.
 - Asset Condition Assessment.
- Government of Manitoba set climate change priorities in policy:
 - Conservation rate design to be developed before the next MH GRA.

This review must focus on areas of greatest impact

- The topics with greatest overall impact:
 - Affect costs to all customer classes
 - Materially impact embedded Cost of Service results.
- Generation & Transmission costs represents 75% or \$1.3 billion of the total system costs of \$1.7 billion. The treatment of these costs affects all customer classes.
- Treatment of cost allocation to the Export Class and return of Net Export Revenues to customer classes is inter-related and material to all classes.

Topics within G&T and Exports

- Generation
- HVDC (Bipole III)
- Dorsey & Riel Converter Stations
- Transmission
- U.S. Interconnection
- Export Class Structure
- Allocation of cost to Export Class
- Related Return of Net Export Revenues to Domestic Classes

Process Began in 2014 with Stakeholder Engagement on Cost of Service

- Stakeholder engagement provided parties with information and knowledge to assist with understanding the issues.
- Serves as a prototype for a model of public review for examining non-routine, technically oriented subject matter.
- A useful investment in time and effort that will provide benefits to participants in the public review process.

Recommended review process

- Highly technical and complex subject matter does not lend itself to a traditional adversarial hearing process.
- Other jurisdictions utilize negotiated settlement processes.
- Manitoba Hydro recommends an alternative to the traditional review process that:
 - Provides PUB Panel Members direct participation.
 - Provides best approach to engage all parties on the most material COSS issues.
 - Leverages the efforts invested by all parties during the 2014 stakeholder engagement.
 - Accomplish maximum results in available timeframe.

Recommendation for the review process

- Three “Technical Workshops” presided over by the PUB Panel.
- Each led by a PUB-appointed facilitator and would be transcribed.
- Active participation by PUB Panel Members and all parties.
- Additional information may be sought in the form of undertakings (role of PUB facilitator).
- Responses to undertakings distributed to all parties within a given period of time after conclusion of the Technical Workshop.

Recommendation for the review process

- Technical Workshop #1 (MH COSS)
- Intervenors to file COSS proposals
- Technical Workshop #2 (Intervener proposals examined)
- Technical Workshop #3 (Facilitator-led session to identify consensus and areas remaining in dispute)

Recommendation for the review process

- PUB Facilitator would prepare a public report on positions of parties, and areas of consensus and dispute.
- Parties to provide the PUB with final written submissions outlining their positions.
- PUB to issue findings on these matters in advance of next MH GRA.

Conclusion

- The right scope enables the effective and efficient review of the subject matter.
- Builds upon work undertaken in the 2014 stakeholder engagement.
- Addresses complex technical subject matter in the most thorough and productive manner.
- Enables completion of a review in advance of next GRA.