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May 5, 2017

Mr. D. Christle  
Secretary and Executive Director  
Public Utilities Board  
400-330 Portage Avenue  
Winnipeg, Manitoba  
R3C 0C4

Dear Mr. Christle:

**RE: MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION – LETTER OF APPLICATION**

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Please find attached Manitoba Hydro's Letter of Application with respect to its 2017/18 & 2018/19 General Rate Application ("GRA" or "Application"), pursuant to *The Crown Corporations Public Review and Accountability Act*.

In this Application, Manitoba Hydro is requesting:

- Final approval of the 3.36% across-the-board rate increase effective August 1, 2016 that was approved on an interim basis in Order 59/16;
- Approval, on an interim basis, of a 7.9% across-the-board rate increase to be effective August 1, 2017;
- Approval of a further 7.9% across-the-board rate increase to be effective April 1, 2018; and,
- Additional approvals as outlined in the attached Letter of Application (Tab 1 of the GRA).

Manitoba Hydro anticipates filing the remaining Revenue Requirement Tabs on or about May 12, 2017, with the Cost of Service and Proposed Rates & Customer Impacts Tabs following as soon as possible thereafter.

**Capital Review and Minimum Filing Requirements**

On March 31, 2017 the Public Utilities Board of Manitoba ("PUB") issued a list of Minimum Filing Requirements ("MFRs") which it directed Manitoba Hydro to address as part of its GRA. At the invitation of the PUB, the Consumer Coalition, the Green Action Centre, the Manitoba Industrial Power Users Group and Manitoba Keewatinowi Okimakanak each proposed additional MFRs and Manitoba Hydro was afforded the opportunity to comment on same.

*Available in accessible formats upon request*

On April 5, 2017, the Province of Manitoba issued Order in Council No. 00092/2017 (“OIC 92/17”) assigning the PUB the duty of considering capital expenditures by Manitoba Hydro as a factor in reaching its decision on Manitoba Hydro’s rates for service, in a manner that balances the interests of the ratepayers and the financial health of Manitoba Hydro. OIC 92/17 further directed Manitoba Hydro to provide the PUB with a substantial amount of information regarding its capital expenditures and other related matters.

By letter dated April 24, 2017, the PUB identified the Intervenor MFRs which Manitoba Hydro is to address as part of its GRA. The PUB also provided Manitoba Hydro with an additional list of capital related MFRs as a result of the issuance of OIC 92/17.

Manitoba Hydro has committed to filing the Revenue Requirement materials for the GRA in as timely a manner as possible, in order to enable the earliest possible start to the regulatory review process. As discussed at a meeting of legal counsel on April 5, 2017, priority would be placed on Manitoba Hydro filing its GRA at as early a date as possible and then to provide responses to the MFRs as soon as practical thereafter.

Manitoba Hydro staff have been in ongoing communication with PUB staff and legal counsel to resolve any issues with regard to MFRs in an effort to ensure the PUB receives the required information in as timely, effective and efficient manner as possible. Subject to the result of these efforts, Manitoba Hydro is projecting to file responses to the PUB and Intervenor Revenue Requirement MFRs on or about May 24, 2017, and will endeavour to file the responses to the PUB capital MFRs on or about June 21, 2017.

### **Interim Rate Order**

As part of its GRA, Manitoba Hydro has requested the PUB approve an interim rate increase of 7.9% effective August 1, 2017. Manitoba Hydro recognizes the PUB’s concern with the use of interim orders as outlined in Order 59/16, particularly the direction that Manitoba Hydro should file its next GRA by no later than December 1, 2016. The unique circumstances associated with this filing leave no choice but to proceed with making an interim rate request.

Order 59/16 was issued April 28, 2016. Shortly thereafter, on May 3, 2016, an entirely new Manitoba Hydro-Electric Board (“MHEB”) was appointed. Further, on May 3, 2016, the Province of Manitoba issued a mandate to the Minister of Crown Services to work with the MHEB to review the circumstances around the Bipole III Reliability Project. It has been necessary for the MHEB to examine and consider an enormous amount of information on a broad array of topics and make its independent determination of how the corporation should move forward. Manitoba Hydro has endeavoured to keep the PUB apprised of its progress and timelines for the completion of a new financial plan and subsequent GRA throughout this period and formally notified the PUB on November 29, 2016 that a December 1, 2016 filing date was not achievable.

The overriding regulatory principle when considering any rate application, including interim rates, is whether the rate appropriately considers the interests of ratepayers and the fiscal health of the utility. Furthermore, OIC 92/17 explicitly states that the PUB must take the financial health of Manitoba Hydro into consideration in its setting of rates for service.

Interim orders properly allow regulators the flexibility to make awards that are necessary in the circumstances where a utility will suffer negative financial consequences from having to wait for a full public hearing process to conclude. The last general rate increase took effect August 1, 2016 pursuant to Order 59/16. Unless an interim rate increase is approved, it is highly unlikely that a change in rates will be implemented in the 2017 calendar year.

In Order 59/16, the PUB recognized the challenges associated with the significant revenue requirements related to construction of new generation and transmission assets and replacement of aging infrastructure. By virtue of OIC 92/17, the PUB has been tasked with the additional duty of a careful examination of capital expenditures in the context of its rate approval function. Such an examination is a considerable expansion of the scope of review compared to historic GRA processes in this jurisdiction. OIC 92/17 provides the PUB with access to a significant and unprecedented amount of capital related information. It is quite conceivable that the regulatory process associated with this capital review will exceed that typically experienced in the past, and may continue into 2018. Absent an interim rate order, this poses a risk to Manitoba Hydro receiving any rate relief in fiscal 2017/18.

The practical implication of not awarding interim rate relief is that Manitoba Hydro would be foregoing a revenue increase in 2017/18, placing considerable negative pressure on income, cash flow and financial metrics, resulting in the need for even greater rate increases in the next and subsequent years. Such an outcome is neither in the best interests of ratepayers nor is it supportive of the financial health of Manitoba Hydro. Manitoba Hydro notes that the PUB has significant latitude and ability to amend its interim decision in a final order or to make an adjustment to a subsequent rate increase, should it determine that an interim-approved rate was not just and reasonable.

Manitoba Hydro respectfully requests that the matter of an interim rate request and its associated process be addressed at the Pre-Hearing Conference. At that time, the corporation could present its position on the hearing of an interim rate increase and the related process for conducting same. The PUB could allow all Parties to present their positions and then afford the Corporation the opportunity to respond.

If you have any questions or comments with respect to this submission, please contact the writer at 204-360-3946 or Greg Barnlund at 204-360-5243.

Yours truly,

**MANITOBA HYDRO LAW DIVISION**

Per:



**PATRICIA J. RAMAGE**

Barrister & Solicitor

cc: All Interveners of Past Record  
Bob Peters, Board Counsel  
Dayna Steinfeld, Board Counsel