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September 15, 2017

**VIA E-MAIL**

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

Attention: Darren Christle, Executive Director and Secretary - [Darren.Christle@gov.mb.ca](mailto:Darren.Christle@gov.mb.ca)

Dear Sir:

**Re: Issues and Expert Evidence -  
2017/18 2018/19 General Rate Application (the "GRA")  
Our File No. 104735-1**

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The Business Council of Manitoba (the "**BCM**") has reviewed the decision of the Public Utilities Board (the "**PUB**") regarding Intervener Budgets issued by letter dated August 25, 2017. In particular, the BCM has considered the following conclusion reached by the PUB:

The Board does not approve the Business Council of Manitoba's experts on macro-economic impacts and bond rating considerations. These areas will be addressed by other witnesses and the Business Council of Manitoba has not provided an explanation as to how its proposed experts would provide additional value.

The BCM is of the view that certain questions and issues related to macro-economic impacts and bond rating considerations must be adequately canvassed in order to determine whether the rate increases, as proposed by Manitoba Hydro ("**MH**") or otherwise, will assist and place MH on a solid independent financial footing, while safeguarding MH's and the Province of Manitoba's overall financial stability. In keeping with PUB Order No. 70/17 and in an effort to collaborate with the approved Interveners to identify the scope of work for the issues and/or any differing perspectives on a common issue, the BCM has sent a letter to all approved Interveners outlining some of the macro-economic and bond rating issues and questions the BCM would have asked its expert witnesses to address if the BCM had obtained approval to retain its own experts (the "**Letter**"). A copy of that letter is enclosed for your reference.

The response the BCM may receive to the Letter is unknown. While the BCM is hopeful that the issues and questions raised in the Letter will be adequately addressed by the experts currently approved by the PUB, we are not yet in a position to know if that will be the case.

We spoke with Bob Peters, counsel to the PUB, about the independent experts the PUB is retaining. Mr. Peters suggested that the PUB would invite approved Interveners to ask the independent experts to expand their scope of work if such expanded work would be relevant and within the scope of the approved issues set out in PUB Order No. 70/17.

We understand that Dr. Adonis Yatchew is one of the experts retained by the PUB for the GRA and that Dr. Yatchew will be speaking to microeconomic and macroeconomic issues. While Dr. Yatchew's Scope of Work summary posted on the PUB website outlines, in general, the scope of his work, it is not clear whether (and to what extent) the issues we set out in the Letter will be addressed by him.

Therefore, the purpose of this letter is to request the PUB to ask Dr. Yatchew to expand the scope of work in his report to address the questions we have set out in the Letter.

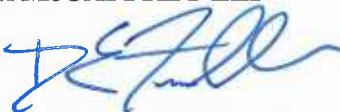
We realize this is short notice but we would appreciate a response to this letter by September 20, 2017. If the experts put forward by the other interveners or the PUB are unable or unwilling to address the issues set out in the Letter, then the BCM will have to consider its options regarding the conclusion reached by the PUB regarding the funding of such an expert as set out in the PUB's decision of August 25, 2017.

Thank you for your consideration and the opportunity to raise this matter with the PUB, directly. Please do not hesitate to contact the undersigned should you wish to discuss this further.

Yours truly,

**TAYLOR McCAFFREY LLP**

Per:

  
KEVIN T. WILLIAMS

KTW/vt

cc: Don Leitch, Business Council of Manitoba

**Taylor McCaffrey LLP**

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September 14, 2017

VIA E-MAIL

Assembly of Manitoba Chiefs (AMC)  
c/o Olthuis Kleer Townshend LLP  
250 University Avenue, 8<sup>th</sup> Floor  
Toronto, ON M5H 3E5  
Attention: Senwung Luk – [sluk@oktlaw.com](mailto:sluk@oktlaw.com)

Consumer Coalition (CC)  
c/o Public Interest Law Centre  
200 – 393 Portage Avenue  
Winnipeg, MB R3B 3H6  
Attention: Byron Williams – [bwilliams@pilc.mb.ca](mailto:bwilliams@pilc.mb.ca)

General Service Small/General Service Medium Customer Classes (GSS/GSM)  
c/o Hill Sokalski Walsh Olson LLP  
Suite 2670, 360 Main Street  
Winnipeg, MB R3C 3Z3  
Attention: Christian Monnin - [cmonnin@hillco.mb.ca](mailto:cmonnin@hillco.mb.ca)

Green Action Centre (GAC)  
c/o Gange Collins Holloway  
760 – 444 St. Mary Avenue  
Winnipeg, MB R3C 3T1  
Attention: William S. Gange – [wsg@gchlaw.ca](mailto:wsg@gchlaw.ca)

Keystone Agricultural Producers of Manitoba (KAP)  
203 – 1700 Ellice Avenue  
Winnipeg, MB R3H 0B1  
Attention: James Battershill - [james.battershill@kap.mb.ca](mailto:james.battershill@kap.mb.ca)

Manitoba Industrial Power Users Group (MIPUG)  
c/o Thompson Dorfman Sweatman LLP  
201 Portage Avenue, Suite 2200  
Winnipeg, MB R3B 3L3  
Attention: Antoine F. Hacault – [afh@tdslaw.com](mailto:afh@tdslaw.com)

Manitoba Keewatinowi Okimakanak (MKO)  
c/o Wood Orle Litigation Lawyers  
3 – 430 River Avenue  
Winnipeg, MB R3L 0C6  
Attention: George J. Orle Q.C. - [gorle@woodorle.ca](mailto:gorle@woodorle.ca)

The City of Winnipeg  
3<sup>rd</sup> Floor, 185 King Street  
Winnipeg, MB R3B 1J1  
Attention: Denise Pambrun - [dpambrun@winnipeg.ca](mailto:dpambrun@winnipeg.ca)

Dear Sirs:

**Re: Issues and Expert Evidence -  
2017/18 2018/19 General Rate Application (the "GRA")  
Our File No. 104735-1**

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As you aware, we represent the Business Council of Manitoba (the "BCM") as an approved Intervener in the upcoming GRA. The Public Utilities Board (the "PUB") issued its decision regarding Intervener Budgets by letter dated August 25, 2017. In reaching its decision on the BCM's proposed experts, the PUB stated as follows:

The Board does not approve the Business Council of Manitoba's experts on macro-economic impacts and bond rating considerations. These areas will be addressed by other witnesses and the Business Council of Manitoba has not provided an explanation as to how its proposed experts would provide additional value.

The following is a list of issues the BCM views as being related to the macro-economic impacts and bond rating considerations to be considered in the upcoming GRA. In keeping with PUB Order No. 70/17 and in an effort to collaborate with the approved Interveners to identify the scope of work for the issues and/or any differing perspectives on a common issue, we ask that you please review the below list and advise as to whether the experts you intend to call will be addressing any of the enumerated issues. In the event that an expert will be addressing any of the of the enumerated issues, we ask that you identify the expert, the anticipated evidence of that expert with respect to the particular issue(s), whether the evidence will be included in a written report by the expert, and, if so, when you anticipate such a report will be provided.

Issues:

- the role debt plays in the structure and operations of Manitoba Hydro ("MH")
- variation in borrowing costs associated with lengthening or shortening the weighted average term to maturity of MH's new debt issuance
- how does one assess appropriateness of MH's debt/equity ratio target
- how does MH's debt/equity ratio compare to other utilities
- MH's current credit rating


- how MH's credit rating compares to other utilities
- how MH's credit rating and the Province of Manitoba's credit rating interrelate
- how bond rating agencies assess and treat MH's debt and the Province of Manitoba's debt for rating purposes
- is MH currently considered "self-sustaining" by credit agencies and what is the effect of MH losing "self sustaining" status
- is MH regarded as the Province of Manitoba's largest contingent risk and what does that mean
- what are factors/thresholds for a credit rating downgrade for MH and the Province of Manitoba
- what is the risk of a credit rating downgrade for MH and the Province of Manitoba
- what are the economic impacts of a credit rating downgrade for MH and/or the Province of Manitoba
- what are current borrowing costs of MH and the Province of Manitoba
- how will borrowing costs of MH and/or the Province of Manitoba be affected in the event of further credit rating downgrades
- what effect would credit rating downgrades have on subsequent MH rate increase requests
- what rate of increase, if any, is reasonable and necessary to ensure that tax payers will not be at risk of even higher rate increases in the event of factors beyond MH's or the Province of Manitoba's control (i.e., increased interest rates, decreased water levels, depressed export prices, etc.)
- what rate of increase will assist and place MH on a solid independent financial footing, while safeguarding MH's and the Province of Manitoba's overall financial stability

We thank you kindly for your time and cooperation and ask that you provide your response at your earliest convenience and no later than September 20, 2017. Depending on the responses received, BCM may be required to formally appeal the PUB's decision regarding Intervener Budgets dated August 25, 2017.

Yours truly,

**TAYLOR McCAFFREY LLP**

Per:



**KEVIN T. WILLIAMS**

KTW/vt

cc: Don Leitch, Business Council of Manitoba