

Attachment A

Overview

This document provides background to the proposed intervention of Winnipeg Harvest and the Manitoba Branch of the Consumers' Association of Canada, together, the Consumers Coalition, by outlining:

- Who is Winnipeg Harvest?
- Who is the Manitoba Branch of the Consumers' Association of Canada?
- Reasons for Proposed Intervention (question 8 of the Intervener Request Form)
- Nature of the Proposed Intervention (question 9 of the Intervener Request Form)
- A brief overview of the proposed team of legal advisors and consulting experts (question 9 of the Intervener Request Form)
- Preliminary outline of proposed areas of analysis and evidence (question 9 of the Intervener Request Form)

Normally, the Coalition would provide a detailed budget supporting the proposed scope of its intervention. However, the Board has indicated in its 26 May 2017 letter that budgets are not required until the hearing scope is determined. The Coalition has prepared a high level budget document which is available upon Board request (Attachment C).

The Consumers Coalition

The Consumers Coalition is comprised of Winnipeg Harvest and the Manitoba Branch of the Consumers' Association of Canada. The Consumers Coalition seeks to present an evidence-based intervention guided by a principled consideration of the consumer interest. It is represented by the Public Interest Law Centre.¹

The Consumers Coalition aims to protect and reconcile the interests of all Manitoba residential consumers, including low and fixed-income consumers, the working poor and those living in remote and rural communities.

For the Consumers Coalition, bringing the voice of consumers directly to the Public Utilities Board is of primary importance in the independent rate-setting process. The Coalition members place a priority on direct consumer input through focus groups, engagement sessions and stakeholder panels.

In preparation for the upcoming Manitoba Hydro General Rate Application proceeding and to attempt to reduce duplication, the Consumers Coalition and/or the Public Interest Law Centre have met with a number of potential stakeholders representing various Manitoba perspectives including social agencies, research bodies, concerned citizens and representatives of the Manitoba Industrial Power Users Group technical support team. They have shared an

¹ An independent office of Legal Aid Manitoba.

overview of their proposed intervention with the Manitoba Keewatinowi Okimakanak Inc and exchanged written comments about energy poverty issues with the Green Action Centre.

In April 2017, the Manitoba Branch of the Consumers' Association of Canada held two focus groups (with a third to be held in the coming weeks), examining the impacts on consumers of rising Hydro prices. One discussion focused on Winnipeg residents; the other considered the experiences of consumers with lived experience in rural and Northern communities and First Nations. Over the next few weeks, Winnipeg Harvest will continue this engagement with consumers on energy issues as part of its pending examination of acceptable living levels.

In the following sections, we provide an overview of the Coalition members as well as the unique methodology and perspective they bring to consideration of the Manitoba Hydro General Rate Application.

Winnipeg Harvest

Who is Winnipeg Harvest?

Founded in 1984, Winnipeg Harvest is a non-profit, community-based organization committed to providing food to people who struggle to feed themselves and their families. It seeks to maximize public awareness of hunger while working towards long-term solutions to hunger and poverty. Winnipeg Harvest is governed by a community-based Board which employs the Executive Director to make all operational decisions.

Winnipeg Harvest's Vision is a community that no longer requires the services of a food bank. Winnipeg Harvest's Mission is to:

- share food with hungry families;
- focus attention on hunger within their community and move towards long-term solutions; and
- facilitate training and learning opportunities for their clients.

To achieve its Vision, Winnipeg Harvest provides emergency food assistance to almost 62,000 people a month across Manitoba, redistributing more than 13 million pounds of food a year through food banks and other emergency programs. One-third of the families experiencing hunger are dual wage-earner families (i.e.: the working poor) and approximately 43% of its clients are children living in poor families.²

Winnipeg Harvest shares food with more than 50 Manitoba communities through the Manitoba Association of Food Banks and through partnerships with nearly 400 agencies (including soup kitchens, food banks and youth programs) to distribute surplus food to hungry families all over Manitoba. The 180 food banks it supports are located throughout Manitoba and include urban centres, First Nations and rural and northern communities.³

² Winnipeg Harvest feeds nearly 27,000 children each month.

³ Reaching as far north as Lynn Lake.

While redistribution of food to people in need remains the top priority of Winnipeg Harvest, it also provides access to personal care products, provision of meals and snacks through day care and other agencies, programs and services for First Nations People and newcomers as well as training for life and work skills.

Winnipeg Harvest is also involved in the provision of advocacy services. Its advocacy services are three-fold: education and awareness through publication of reports and dissemination of information; systemic change through community actions and legal advocacy; and one-on-one support and advocacy.

Approximately 50% of Winnipeg Harvest's clients are in receipt of social assistance. An advocate who works with one of Winnipeg Harvest's partner organizations regularly appears before the Social Services Appeal Board on matters relating to the employment and income assistance program. The significant expertise of Winnipeg Harvest on issues relating to poverty and hunger was recognized by Olivier De Schutter, the United Nations Special Rapporteur on the Right to Food who attended a workshop at Winnipeg Harvest during his mission to Canada in 2012.

One of Winnipeg Harvest's priorities is to work with others in the community to explore long-term solutions to hunger and poverty. Winnipeg Harvest is part of Make Poverty History Manitoba, a coalition of anti-poverty organizations. This coalition was instrumental in the adoption by the provincial government of the Rent Assist program.

In terms of education and awareness, Winnipeg Harvest has partnered with organizations such as the Manitoba Keewatinowi Okimakanak and the Public Interest Law Centre to prepare reports on the Right to Food and Milk Prices. Winnipeg Harvest has also been a leader in Manitoba by partnering with the Public Interest Law Centre to research and advocate for a Guaranteed Annual Income.

In collaboration with Campaign 2000 End Child & Family Poverty, Winnipeg Harvest has produced numerous Child and Family Poverty Report Cards, the latest of which was published in November 2016. Sometimes in collaboration with other partners, Winnipeg Harvest also prepares reports on the Acceptable Living Level.⁴

Winnipeg Harvest in regulatory proceedings

In addition to providing services directly to communities, households and individuals, Winnipeg Harvest has been an active participant both as an intervener and a presenter on regulatory matters before the Public Utilities Board.

Most recently, Winnipeg Harvest was an intervener as part of the Consumer Coalition in the Cost of Service Study process, as well as in the Manitoba Hydro 2015/16 and 2016/17 General Rate Application. Additionally, Winnipeg Harvest partnered with the Manitoba Branch

4 The Acceptable Living Level Reports demonstrate that current welfare rates fall far short of meeting the Acceptable Living Levels and challenges Manitoba's leaders and citizens to respond to the central issue of **how can Manitoba ensure an acceptable living level for all its citizens?**

of the Consumers' Association of Canada and the Manitoba Metis Federation in presenting a ratepayers panel during the Needs For And Alternatives To proceeding and also presented policy recommendations aimed at ameliorating the impact of rate increases upon vulnerable consumers. Specific areas of evidence presented by the Consumers Coalition in previous Manitoba Hydro-related proceedings will be summarized in the description of the Manitoba Branch of the Consumers' Association of Canada. Winnipeg Harvest was an active participant in Manitoba Hydro's working group on bill affordability led in 2016.

Winnipeg Harvest also has intervened as part of a coalition of organizations in each of the Payday Lending hearings before the Public Utilities Board, including jointly presenting the first panel of consumers at a Payday Lending hearing in April 2016. In commenting on the evidence provided by the consumer panel, the Board stated that "it offered the Board valuable insight into real-life experiences with payday loans and the benefits and drawbacks of payday loans from consumers' perspectives."⁵

Manitoba Branch of the Consumers' Association of Canada

Who is the Manitoba Branch of the Consumers' Association of Canada?

The Manitoba Branch of the Consumers' Association of Canada is a volunteer, non-profit, independent organization working to inform and empower consumers, and to represent the consumer interest in Manitoba. Formed in 1947, the organization is governed by a volunteer Board of Directors, elected annually at a general meeting of the organization's membership. The organization is a branch of the national Consumers' Association of Canada, but is financially separate and separately incorporated.

The Manitoba Branch of the Consumers' Association of Canada's policy is guided by its understanding of generally accepted consumer rights, which consist of:

- **The right to satisfaction of basic needs** - To have access to basic, essential goods and services: adequate food, clothing, shelter, health care, education, public utilities, water and sanitation.
- **The right to safety** – to be protected against products, production processes and services that are hazardous to health or life.
- **The right to be informed** – To be given the facts needed to make an informed choice, and to be protected against dishonest or misleading advertising or labeling.
- **The right to choose** – To be able to select from a range of products and services, offered at competitive prices with an assurance of satisfactory quality.
- **The right to be heard** - To have consumer interests represented in the making and execution of government policy, and in the development of products and services.
- **The right to redress** – To receive a fair settlement of just claims, including compensation for misrepresentation, shoddy goods or unsatisfactory services.

5 Public Utilities Board Report Payday Lending, June 17, 2016, at p 42.

- **The right to consumer education** – To acquire knowledge and skills needed to make informed, confident choices about goods and services, while being aware of basic consumer rights and responsibilities and how to act on them.
- **The right to a healthy environment** -To live and work in an environment that is non-threatening to the well-being of present and future generations.

The Manitoba Branch of the Consumers' Association of Canada is also guided by the following consumer responsibilities:

- **Critical awareness** - consumers must be awakened to be more questioning about the provision of the quality of goods and services.
- **Involvement or action** - consumers must assert themselves and act to ensure that they get a fair deal.
- **Social responsibility** - consumers must act with social responsibility, with concern and sensitivity to the impact of their actions on other citizens, in particular, in relation to disadvantaged groups in the community and in relation to the economic and social realities prevailing.
- **Ecological responsibility** - there must be a heightened sensitivity to the impact of consumer decisions on the physical environment, which must be developed to a harmonious way, promoting conservation as the most critical factor in improving the real quality of life for the present and the future.
- **Solidarity** - the best and most effective action is through cooperative efforts through the formation of consumer/citizen groups who together can have the strength and influence to ensure that adequate attention is given to the consumer interest.⁶

The Manitoba Branch of the Consumers' Association of Canada seeks input on its policy positions from consumers through the innovative use of focus groups, and through its ongoing programs and services to the public. In 2016-2017, the organization had contact with approximately, 13,000 consumers through its consumer education/information programs, services and consumer research. In addition, the organization seeks other perspectives on relevant issues through the use of policy community advisory committees and interviews

The Manitoba Branch of the Consumers' Association of Canada represents the interests of consumers across Manitoba in a number of areas including food safety and security, patient rights and health care, financial services, access, and inclusion, environmental sustainability, and regulatory review of utilities and Crown's delivering services and products to consumers.

The Manitoba Branch of the Consumers' Association of Canada in regulatory proceedings

Over the past 25 years, the Manitoba Branch of the Consumers' Association of Canada has been active in rate regulation matters relating to Manitoba Hydro, Centra Gas, Manitoba Public Insurance, government cheque cashing and payday lending rates. In addition, the organization has extensive and intersecting regulatory experience at the Canadian Radio-

6 <http://www.consumersinternational.org/who-we-are/consumer-rights/>.

television and Telecommunications Commission. It takes pride in its long-standing record of quality, evidence-based advocacy.

Over the past fifteen years, the Manitoba Branch of the Consumers' Association of Canada has been particularly engaged in regulatory matters relating to Manitoba Hydro including:

- every General Rate Application, Cost of Service and Diesel Proceeding (Manitoba Public Utilities Board);
- the 2014 Needs For And Alternatives To (Manitoba Public Utilities Board) and the Wuskwatim Needs For And Alternatives To (joint panel); and
- environmental proceedings relating to the Keeyask Generating Station, the Bipole III Transmission Line, Lake Winnipeg Regulation and Manitoba Minnesota Transmission Line (Clean Environment Commission).

The Manitoba Branch of the Consumers' Association of Canada has a mandate to provide Manitoba consumers with unbiased information. Through interventions at rate hearings, the organization represents the consumer interest on prices and quality of service (“rates for service”).

In recent regulatory proceedings before the Public Utilities Board on Manitoba Hydro matters, the Manitoba Branch of the Consumers' Association of Canada has played an active role in issues such as:

- *Financial targets and risk analysis*: dating back to 1996, the Manitoba Branch of the Consumers' Association of Canada has provided evidence and analysis on the financial targets of Manitoba Hydro, including debt to equity ratio, financial reserves and interest coverage ratio, such as in the hearings leading to Board Orders 53/96, 7/03 and 5/12. In addition, the Coalition has undertaken a consideration of issues relating to risk and risk tolerance including the using of stochastic tools to better examine these issues.
- *Sustaining capital*: Since the 2007/08 General Rate Application,⁷ the Manitoba Branch of the Consumers' Association of Canada has played a leading role in identifying the challenges of the Corporation is assessing the health of its capital assets and in prioritizing the pace of its day to say capital asset expenditures.⁸
- *Forecasting*: the Manitoba Branch of the Consumers' Association of Canada has extensively tested the credibility of Manitoba Hydro's forecasts especially as they related to its large capital expenditure plans and the reliability of its Integrated Financial Forecasts:
 - Load forecast: the organization presented evidence during the 2014 Needs For And Alternatives To proceedings, including recommendations on price response and price elasticity, long-term top customers forecast methodology and more

⁷ See for example Order 116/08, p. 345/346.

⁸ See also Orders 43/13, p. 5 and Order 7 and 73/15 (in particular, p. 64/65 as well as p. 97 and Order 7).

sophisticated projections of households using electric and non-electric space heating.

- Export price forecasting: since the 2010/11 Manitoba Hydro General Rate Application, the Manitoba Branch of the Consumers' Association of Canada has been raising concerns about the reliability of Manitoba Hydro's forecasts.
 - Capital expenditure forecasts: since the 2010/11 Manitoba Hydro General Rate Application, the organization has been raising concerns about the reliability of Manitoba Hydro's capital expenditure forecasts, especially major capital projects, such as Bipole III and Keeyask.
 - Interest rate forecasting: the Manitoba Branch of the Consumers' Association of Canada has consistently raised concerns about Manitoba Hydro's interest rate forecasting. In the last Manitoba Hydro General Rate Application, 2014/15 and 2015/16, the organization argued that Manitoba Hydro's interest rate forecast costs were inflated, which was confirmed in the 2015 Integrated Financial Forecast where Hydro documented a \$700 million decline in interest costs over 10 years as compared to its previous forecast.
- Operating, Maintenance and Administration costs: through cross examination as well evidence the Manitoba Branch of the Consumers' Association of Canada has provided insight on the reasonableness and the justification of Operating, Maintenance and Administration costs. For example, their evidence in the proceedings leading to *Order 116/08* assisted in the development of a Board Order relating to appropriate targets.⁹ Similarly, during the 2015/16 and 2016/17 Manitoba Hydro General Rate Application, the Coalition expressed concerns with Operating, Maintenance and Administration cost containment efforts related to capital spending.¹⁰
 - Debt: in a number of proceedings, the Manitoba Branch of the Consumers' Association of Canada has examined the efficient frontier for Manitoba Hydro's debt portfolio, including consideration of trade offs between risk and opportunities relating to fixed and floating debt.¹¹
 - Rate design, bill assistance and energy poverty: the Manitoba Branch of the Consumers' Association of Canada has led evidence on barriers to energy efficiency utilization by low-income households,¹² as well as filing evidence in the 2010/11 General Rate Application relating to definitions of energy poverty and program alternatives, including energy efficiency, government support and bill assistance options. The organization was an active participant in Manitoba Hydro's working group on bill affordability led in 2016.
 - In 2016, the Manitoba Branch of the Consumers' Association of Canada was honoured to be selected by the federal Office of Consumer Affairs to conduct a major research project on energy poverty across Canada.

9 See Order 116/08, p. 345, Order 6

10 See Order 73/15, p. 34

11 See for example, Order 116/08, p. 344, Order 4.

12 See for example 116/08, p. 341.

- The research for this project, combined with related efforts by both the Manitoba Branch of the Consumers' Association of Canada and Winnipeg Harvest, have led to:
 - i) six Canadian focus groups looking at issues of energy poverty from users perspectives including one centered in a Manitoba First Nation;
 - ii) a robust literature review;
 - iii) consideration of the strengths and weaknesses of a wide spectrum of options;
 - iv) an examination of the legislative framework for energy poverty solutions in selected Canadian jurisdictions;
 - v) the beginning of an examination of what led Ontario to move away from a ratepayer funded model for bill assistance and towards a tax-payer funded model
 - vi) preliminary consideration of tools (if any) to address one of the major flaws in conventional American bill assistance programs, which is the limited penetration (less than 50%) of even best practice programs; and
 - vii) a survey of the prices of certain basic necessities in Northern First Nations (in collaboration with the Manitoba Keewatinowi Okimakanak).

Reasons for the proposed intervention

The Consumers Coalition seeks to protect the interests of Manitoba Hydro residential ratepayers and their right to just, reasonable and sustainable rates that are determined in a publicly accessible and transparent process.

Winnipeg Harvest and the Manitoba Branch of the Consumers' Association of Canada, as well as their members and clients, have a significant interest in the outcome of the Manitoba Hydro General Rate Application.

In a low inflationary era, Manitoba Hydro is seeking rate shock level increases of 7.9% in 2017/18 and 2018/19. It has stated that it intends to request rate increases of 7.9% for the next five years resulting in a five-year increase of 47% across all domestic rate classes, assuming equal application across the board.

The Consumers Coalition has grave concerns that the proposed rate increases are not sustainable or justifiable over the short, medium and long term. The rate increases proposed by Manitoba Hydro are likely to have a significant impact on many residential consumers in Manitoba, especially as they pay for their own energy bills, as well as that of producers, processors, and retailers of the products they purchase. The Coalition is also concerned that the proposed increases will have a disproportionate impact on those consumers who heat with electricity (rural and northern), and on vulnerable consumers including those on low and fixed incomes.

Consistent with prior interventions, the Consumers Coalition will seek to protect the interests of residential consumers and to ensure their “rates for service” are “just and reasonable”.¹³

Proposed areas of analysis, evidence and expert witnesses

The intervention of the Consumers Coalition in this proceeding will be guided by the Public Utilities Board criteria for the consideration of just and reasonable rates. Pursuant to its jurisdiction and the statutory framework in which it operates, the Public Utilities Board has characterized the key elements of its independent review function and rate-setting role as follows:

- Ensuring that forecasts are reasonably reliable;
- Ensuring that actual and projected costs incurred are necessary and reasonable;
- Assessing the reasonable revenue needs of an applicant in the context of its overall general health (including reserves);
- Determining an appropriate allocation of costs between classes; and
- Setting just and reasonable rates in accordance with statutory objectives.¹⁴

The Consumers Coalition expects to be guided by the Board's direction in previous Orders in order to present high quality analysis evidence that will assist the Board in making its determinations and in setting just and reasonable rates.

The Consumers Coalition proposes to provide evidence from a team of expert witnesses coordinated by the Public Interest Law Centre and Mr. William Harper.

Mr. William Harper has significant experience in regulatory proceedings relating to Manitoba Hydro. He has served as an expert witness before the Manitoba Public Utilities Board regarding Manitoba Hydro's 2002 Status Update, 2004/05 and 2005/06 General Rate Application, 2008/09 General Rate Application, 2013 Need For And Alternatives To proceeding, and the 2015 Cost of Service Methodology Review. In addition, he appeared as an expert witness before the Manitoba Clean Environment Commission with respect the Wuskwatim Need For And Alternatives To Submission by Manitoba Hydro/Nisichawayasihk Cree Nation. He has also assisted clients in their participation in all other rate applications (General Rate Application, Diesel or Interim) by Manitoba Hydro since 2002.

The Public Interest Law Centre is an independent office of Legal Aid Manitoba that represents groups and individual on systemic issues or issues that affect the broader population. The Public Interest Law Centre's areas of practice include:

- Consumer law;¹⁵

¹³ Section 26 (1) of the *CCPRAA* and section 77 of *The Manitoba Hydro Act*.

¹⁴ PUB Order 98/14 at p 28, 37; PUB Order 5/12 at p 27.

¹⁵ Under section 4(2) of the *Legal Aid Manitoba Act*, groups can be found eligible for Legal Aid where the matter involves an objective or interest (a) common to the members of the group; and (b) relating to an issue of public interest including, without restricting the generality of the foregoing, any **consumer or environmental issue**. [emphasis added]

- Environmental law;
- Human rights law;
- Indigenous law; and
- Poverty law.

The Public Interest Law Centre has acted as legal counsel for residential consumers in proceedings relating to Manitoba Hydro both at the Public Utilities Board and at the Clean Environment Commission for more than 25 years.

Overall health of the corporation

Assessing the reasonable revenue needs of Manitoba Hydro in the context of its overall financial health will be a key issue in this proceeding. The Consumers Coalition intends to bring evidence on this issue before the Public Utilities Board.

There are many issues associated with the overall financial health of the corporation which include the following:

- *Appropriate financial targets for Manitoba Hydro that should underpin any rate request:* the Consumers Coalition notes that this is clearly a major preoccupation for Manitoba Hydro as it repeats “financial strength” a number of times in the application and equates that term to its target debt:equity ratio, Debt Service Coverage Ratio, and Capital Coverage ratio. From the perspective of the Consumers Coalition, the emphasis given to “financial strength” and these various metrics warrants a return to first principles, and a discussion of what Manitoba Hydro actually is, and what financial characteristics should be considered important. The Consumers Coalition notes that in Manitoba Hydro's discussion of financial targets, there does not appear to be consideration given to the customer impact of the targets themselves, which is a significant gap from the Coalition's point of view. The impact of financial target decisions leading to higher rates on the competitiveness of Manitoba should also be considered.
- *Manitoba Hydro's access to capital:* the Consumers Coalition intends to conduct a careful analysis in terms of Manitoba Hydro's access to affordable capital taking into account the Provincial debt guarantee, Hydro's monopoly status, financial data from the markets and reports from debt rating agencies. Recognizing that Credit Rating Agencies are actually not leading indicators of market sentiment but rather lagging indicators, the Coalition will place particular focus on market data. It also will consider the emphasis placed by credit rating agencies on the cash flow aspects of the definitions of a “self-supporting” entity.
- *Intergenerational impacts of financial and rate-making choices and parameters for intergenerational choices implied by financial and rate-making decisions:* the Consumers Coalition notes that Manitoba Hydro's application explains that the requested rate increases are intended to increase the revenue requirement and to

create a greater cushion against risks such as higher interest rates or lower export revenue. However, the application does not appear to touch on the fact that this strategy is fundamentally a choice and that this particular choice has implications for ratepayers immediately and over time. The Coalition's evidence also will consider principled considerations for the appropriate assessment of the impacts on intergenerational equity of different policy choices.

- Evidence based risk assessment: the Consumers Coalition will examine the methodological and analytic evidence in this proceeding relating to the risks Manitoba Hydro faces, including but not limited to drought and capital construction cost overruns.

The Consumers Coalition proposes to retain Morrison Park Advisors, and specifically Mr. Pelino Colaiacovo, to provide evidence on the issues relating to the reasonable revenue needs of Manitoba Hydro in the context of its overall financial health.

Morrison Park Advisors is a partner-owned financial advisory boutique based in Toronto, Ontario. The firm is comprised of investment banking professionals with long careers and track records in mergers and acquisitions, capital raising, restructuring, valuation, special committee advisory and expert witness services. They provide tailored advice to companies, governments, regulators and not-for-profits on financial and strategic commercial issues.

One of Morrison Park Advisors' specialty areas is electricity. They have worked with generation, transmission and distribution companies of all sizes, as well as industry associations, employee groups, utility regulators and governments. In addition to typical merger, acquisition and capital raising assignments, they have also undertaken fairness reviews of major investment proposals (such as the Maritime Link in Nova Scotia), examined the investment climate in competitive markets (for the Market Surveillance Administrator and AESO in Alberta), and assisted government-owned entities to consider the viability of public private partnerships (in British Columbia and Saskatchewan).

In Manitoba, Morrison Park Advisors acted as an Independent Expert Consultant to the Public Utilities Board during the Needs For And Alternatives To process in 2013-14. As part of that assignment, Morrison Park Advisors considered the financial impacts, risks and opportunities that would arise out of the many different investment options considered by Manitoba Hydro at that time. In the course of doing so, they examined the underlying financial structure of Manitoba Hydro, its financial targets, the use of various financial metrics, and the impact of various choices over time. They explicitly considered the potential impact of different options on the Province of Manitoba, and in particular its credit rating and access to capital markets, and also examined some of the intergenerational aspects of various plans.

Further information is provided in Mr. Colaiacovo's curriculum vitae and statement of qualification, which are attached.

In terms of the methodology and analysis of issues related to risk, the Consumers Coalition also hopes to be able to draw upon the assistance of Dr. Wayne Simpson whose credentials

are considered under the sub-heading of Impacts of the Application upon the Manitoba Economy.

Asset Management and Sustaining capital

The Consumers Coalition intends to provide evidence on the implications of asset management and sustaining capital expenditures (or base capital expenditures) on just and reasonable rates, including the prioritization of sustaining capital asset expenditures. The Consumers Coalition also intends to examine whether costs relating to asset management and sustaining capital are necessary and justified.

The Consumers Coalition has identified a number of sub-issues relating to asset management and sustaining capital expenditures, which include the following:

- Capital expenditure forecasting assumptions: the Consumers Coalition notes that, to date, Manitoba Hydro has not provided much detail on the the process underlying the preparation of capital spend forecasts, particularly for Sustainment Expenditures, Customer Connections, and Business Operations Support expenditures, which collectively represent more than \$500 million per year throughout the presented 10-year forecast. The Coalition intends to provide evidence on this issue especially in light of the Kinetrics (Asset Condition Assessment Audit) and UMS (Asset Management Maturity) reports supplied by the applicant.
- Capital asset planning and implementation inefficiencies: the Consumers Coalition intends to make further inquiries into staffing and broader organizational efficiencies to reduce costs and streamline asset planning and execution work.
- Asset maintenance practices and capital – maintenance planning interaction: the Consumers Coalition has not been able to identify any specific evidence dedicated to the explanation of planning methodologies or practical execution of maintenance activities. While cursory references appear to be provided in relation to increased use of Reliability Centered Maintenance practices on the Transmission business, little detail is provided as to its practical manifestations, or the alternative approaches used on the company's extensive distribution plant. Similarly, the Coalition intends to examine Manitoba Hydro's planning of its capital and maintenance work, which is a common area of inefficiency for many utilities.
- Asset health/condition data: As noted by both UMS and Kinetrics, Manitoba Hydro appears to exclusively rely on asset age to justify the sustainment and replacement of its distribution plant. While the Consumers Coalition notes that this is a common area of concern for utilities across North America, the reliance on asset age data may overstate the need for the scope and scale of targeted capital replacement work, thereby providing opportunities for capital efficiencies through extension of certain assets' operating lives.

- Reliability Planning and Tracking: the Consumers Coalition notes that while certain major capital projects appear to be specifically substantiated on the basis of maintaining reliability or managing the reliability risks, to date, there does not appear to be pre-filed evidence discussing Manitoba Hydro's current, past or targeted reliability levels, as represented by common industry indices.
- Capital data governance and management tools and frameworks: Given the current state of Manitoba Hydro's asset planning systems and processes described by UMS, the Consumers Coalition is of the opinion that a detailed inquiry into this crucial area is warranted to satisfy the regulator that the company is taking the meaningful steps to improve efficiency over the longer term. Absent the supervised broad-based development and implementation of these tools and frameworks in the coming years, the capital efficiency concerns that appear to exist today are likely to persist for many years going forward.
- Targeted vs. actual capital work forecasts: the Coalition intends to examine Manitoba Hydro's success record of translating capital expenditure plans into actual project work within the targeted timelines – both in terms of dollar amounts and construction attainments.
- Consideration of need, prudence, or alternatives to planned projects: the Consumers Coalition intends to explore whether and how Manitoba Hydro's planners evaluate and prioritize the optimal, size, mix or location of targeted investments, relative to alternative program allocations and/or investment deferral (the "do nothing" option). At present, the only information supported project need is provided in response to the past order of the Board to supply such information for projects over \$1 million. However, the information is extremely high-level and descriptive in nature, focusing on work nature rather than justification of need. The Consumers Coalition intends to request additional information of Manitoba Hydro and to explore this issue further.

On the issues of asset management and sustaining capital expenditures, the Consumers Coalition intends to retain METSO, and specifically Mr. Thor Hjartarson and Mr. Alex Bakulev to provide expert evidence. METSCO Energy Solutions is a Canadian corporation engaged in the business of providing consulting services to electricity generating transmission and distribution companies as well as major industrial and commercial users of electricity. Their services cover a broad area, including power systems planning, design, construction supervision, commissioning, troubleshooting operating problems, investigating asset failures and providing training and technology transfer.

Mr. Hjartarson has led several major asset condition assessment projects on behalf of utility clients including generation, transmission and distribution work. Mr. Hjartarson has worked as Manager of System Reliability Planning at Toronto Hydro, where he led the development of the company's asset management evidence, along with helping establish the utility's Smart Grid program through a suite of feasibility studies and implementation projects for feeder automation, transformer smart metering and asset analytics. At Toronto Hydro, he was involved in four rate filings where he was a leader in the capital planning justification of the

submittals. Most recently, in the capacity of the Managing Partner and CEO of METSCO, Mr. Hjartarson led the development of advanced asset analytics, maintenance optimization, and smart grid projects for a number of companies and regulators, including the Ontario Energy Board.

As a partner of METSCO Energy Solutions Inc., Mr. Bakulev has worked on a variety of management consulting projects in the areas of asset lifecycle optimization, risk management and business case project justification. Prior to joining METSCO in 2014, Mr. Bakulev worked with Toronto Hydro, including direct oversight of the company's asset sustainment portfolio planning and risk-based asset lifetime optimization processes. Mr. Bakulev also led the company-wide productivity improvement program and acted as a manager of Toronto Hydro's inaugural five-year Custom Incentive Regulation Rate Application to the Ontario Energy Board. Mr. Bakulev has provided an expert opinion on behalf of METSCO to the Ontario Energy Board in the regulatory proceedings where he was tasked to conduct assessments of distribution system plans proposed by utilities applying for Ontario Energy Board rate increases.

The services of METSCO also will be available for assistance in considerations related to large capital project investments such as Bipole III and Keeyask. While it is not clear if evidence will be required at this point in time, consideration will be given to the Corporation's approach to major capital planning and management as well as the setting of contingencies and projected interest rate costs.

Further information on METSCO's expertise is provided in Mr. Hjartarson and Mr. Bakulev's curriculum vitae and statements of qualification, which are attached. Out of an abundance of caution, the Consumers Coalition has also enclosed the qualifications of two other METSCO staff who may be engaged depending on the scope of their intervention.

Forecasting

The Consumers Coalition intends to examine the issue of the reliability of forecasting in two principal ways:

- *Load forecasting*: the Consumers Coalition intends to examine whether the methodology used by Manitoba Hydro in terms of load forecasting is reasonable. Depending on its preliminary assessment, the Consumers Coalition may wish to explore this issue further.
- *Export price forecasting*: the Coalition intends to examine whether the methodology used by Manitoba Hydro in terms of export price forecasting is reasonable. Depending on its preliminary assessment, the Coalition may wish to explore this issue further.

As a by-product of other research, consideration will also be given to reliability of forecasts relating to finance costs and capital expenditures.

The Coalition intends to retain Dr. Doug Gotham of the State Utility Forecasting Group, out of Purdue University, to examine these issues as an analyst, with the possibility of retaining him to provide expert evidence.

Dr. Gotham is an expert in load forecasting, system planning, and utility operations. He has particular experience within the Midcontinent Independent System Operator marketplace. Dr. Gotham is the Director of the State Utility Forecasting Group at Purdue University. State Utility Forecasting Group is an independent research and analysis group, established by the Indiana General Assembly, funded by the state government through the Indiana Utility Regulatory Commission, and dedicated to providing forecasts of electricity consumption, production, and prices for eight utilities in the state.

Dr. Gotham has served as an advisor to a number of boards and committees, including as an engineering and modeling expert for the Eastern Interconnection States Planning Council. He regularly serves as an instructor on forecasting and utility planning for the Institute of Public Utilities at Michigan State University. He has testified in several legislative and regulatory hearings in the state of Indiana. Dr. Gotham testified before the Manitoba Public Utilities Board in 2014 regarding the load forecast and export price projections in the Needs For And Alternatives to proceeding.

Further information on Dr. Gotham's expertise is provided in his curriculum vitae and statement of qualification, which are attached.

Operating, Maintenance and Administration

The Coalition intends to examine Operating, Maintenance and Administration costs, including the ongoing 15% workforce reduction initiative, procurement savings, operation and maintenance details and quarterly reporting.

The Coalition intends to retain Mr. William Harper from Econalysis as an analyst on this issue, with the possibility of preparing expert evidence. Further information on Mr. Harper's expertise is provided in his curriculum vitae and statement of qualification, which is attached.

Debt Management

The Coalition intends to explore issues relating to Manitoba Hydro's debt, including the implications of reducing debt terms and the overall risks associated with planned debt management strategy .

The Coalition specifically intends to examine the implications of the short term maturity for new debt from 20 years to 12 years. The Coalition notes that Manitoba Hydro's stated intention is that shortening the term of maturity for new debt coupled with assumed higher rates and cash flow would be to take advantage of lower costs of debt for shorter terms and to effectively reduce long-term indebtedness. However, this would mean that higher rates are required to generate the cash flow which will allow for the payments of capital costs in cash so that Manitoba Hydro does not need to refinance its debt. From the Coalition's perspective,

since Canada is widely believed to be entering a long-term phase of rising interest rates, having a shorter debt duration may expose Manitoba Hydro to higher credit risk. The Coalition notes that this could prove to be a significant issue from an intergenerational perspective and a serious risk management issue. The Coalition further notes that Manitoba Hydro may be in contravention of a standard principle in regulatory economics, which is that ratepayers should pay for assets that are “used and useful”, and broadly coincident with their use.

The Coalition intends to retain Mr. Pelino Colaiacovo of Morrison Park Advisors to provide evidence on this issue.

Other issues relating to reliability of forecasts, actual and project costs and overall financial health

The Coalition intends to examine other issues that relate to the reliability of forecasts, whether the actual and projected costs of the corporation are necessary and justified and assessing the reasonable revenue needs of an applicant in the context of its overall general health. As always, the level of the Coalition's intervention will depend on the intended role of others including the Manitoba Industrial Power Users Group. These issues include, but may not be limited to:

- *Change in financial outlook*: considerable rhetoric has been employed by Manitoba Hydro in terms of the health of the Corporation. The Consumers Coalition believes it is important to test that rhetoric against the revised financial statements by closely examining the change in financial outlook, including revenues, costs, exports and load, since the last General Rate Application.
- *Depreciation*: issues relating to depreciation, including Manitoba Hydro's plans to amortize the difference between Equal Life Group and Asset Service Life depreciation methodologies over 20 years starting in 2017/18.
- *Deferred overheads*: issues relating to deferral accounts, including deferred overheads of \$20 million to be amortized over 20 years starting in 2017/18.

The Coalition intends to retain Mr. William Harper from Econalysis as an analyst on these issues.

Cost of service study

The Coalition intends to examine cost of service issues flowing from the Cost of Service Study conducted in 2016, which will assist in determining an appropriate allocation of costs between consumer classes.

The Coalition intends to retain Mr. William Harper from Econalysis as an analyst on this issue, with the possibility of preparing expert evidence.

Impact of rate increases on Manitoba economy

The Coalition intends to examine the impact of rate increases, not only on consumers and businesses, but also on the Manitoba economy as a whole. This examination is necessary to consider the underlying reasonableness of Hydro's revenue projections in terms of price response as well as to provide context to the broad public interest including the impact, if any, rate increases of this magnitude may have on the health of the province.

The Coalition has already done preliminary work on this issue by conducting research into the specific policies and rate strategy developed by BC Hydro and the British Columbia government to address rate shock and rate smoothing issues.

It is intended that the Coalition's evidence on this issue will focus on the effects of the proposed Hydro rate increases on households and firms in Manitoba. Using household and industry data from Statistics Canada, it is expected that a methodology will be developed to estimate both the direct and indirect effect on households.

The direct impact analysis will measure the impact of Hydro rate increases on households in terms of electricity usage and total spending on electricity, as well as the decline in spending on other goods and services, summarized as an adverse real income shock that will affect demand for goods and services throughout the Manitoba economy. This impact will be estimated for households in different regions, to address the availability (or lack of availability) of hydroelectricity in different geographic areas, as data permits.

The indirect impact analysis will measure the extent to which the Hydro price increase propagates through the economy by raising input and output prices on goods and services in our provincial economy, potentially reducing output and employment. Ideally, this will be done using an input-output model. The estimates will be compared to previous research on the effect of energy price shocks on other provincial economies.

The Coalition intends to retain Dr. Janice Compton and Dr. Wayne Simpson of the University of Manitoba to conduct this research and prepare the evidence.

Dr. Compton is an Associate Professor in the Department of Economics at the University of Manitoba. Her areas of academic expertise include expertise include labour economics, applied econometrics, applied microeconomics, household economics and migration. Her expertise will be relevant to studying the impact of Hydro rate increases on Manitoba. Microeconomics and econometrics, and household economics focus on the changing behaviour of households in reaction to policy and market signals (prices), and the effects of such policy changes on outcomes such as employment, household structure, and spending patterns. The methodologies used in these fields are advanced statistical techniques, primarily regression analysis.

Dr. Simpson is a Full Professor in the Department of Economics at the University of Manitoba. His areas of academic expertise include labour economics, applied econometrics, applied

microeconomics, quantitative methods, and economic and social policy application and analysis. His expertise will be relevant to studying the impact of hydro rate increases on Manitoba. Applied microeconomics is the study of the behaviour of individual agents (e.g., firms and households) in the market using modern theory and empirical methods. It seeks to apply the analysis to practical problems such as risk management and investment strategies. Applied econometrics uses specific statistical techniques, particularly regression methods, to analyze and predict economic behaviour and apply it to practical social problems.

Dr. Simpson has appeared as an expert before the Public Utilities Board on a number of occasions considering issues such as appropriate levels of reserves for Manitoba Public Insurance in light of stochastic risk analysis evidence, issues relating to low income persons and load forecasts during the 2014 Need For and Alternatives To hearing. He also was an important consultant on issues related to the stochastic assessment of the risks of Manitoba Hydro during the 2010/11 and 2011/12 General Rate Application.

Further information on Dr. Wayne Simpson and Dr. Janice Compton can be found in their curriculum vitae and their statements of qualifications, which are attached.

Energy poverty

The Consumers Coalition strongly believes that the issue of energy poverty must be examined in this Manitoba Hydro General Rate Application proceeding. Rate increases of this magnitude should not be considered without considerations of the strengths and weaknesses of mechanisms aimed at mitigating the effect of rate increases on vulnerable consumers and communities.

As a part of its evidence, the Coalition intends to examine the issue of energy poverty, its application in Manitoba, the impact of proposed Hydro rate increases on energy poverty, and possible policies to remediate energy poverty. The Coalition expects the main focus to be an assessment of the literature to date, including the Manitoba Hydro Affordability Study and Recommendations and significant work done by the Manitoba Branch of the Consumers' Association of Canada on a report prepared for the federal Office of Consumer Affairs on energy poverty.

The Coalition expects that this evidence will provide a broad profile of energy poverty across Manitoba and investigate the needs of different groups that experience energy poverty. It is expected that the evidence will consider possible approaches to remediate energy poverty, including bill payment programs, tax credits/rebates, and energy efficiency measures. These approaches will be evaluated in relation to the needs of target groups and the expected effects of each approach on energy poverty and low income households to facilitate recommendations for one or a blend of programs/policies that would best suit Manitoba's situation. It is expected that this report will also provide some general suggestions for program design and funding.

The Coalition intends to retain Dr. Wayne Simpson of the University of Manitoba to conduct this research and prepare the evidence. Further information on Dr. Wayne Simpson can be found in his curriculum vitae and his statement of qualifications, which are attached.

Large capital

The Consumers Coalition sees core elements regarding large capital that are likely to affect rates going forward, such as the cost of debt forecasts, contingencies and whether current practices are reasonable. The METSCO team is available to assist in testing Manitoba Hydro's case in this regard.

Depending on the ultimate scope of the hearing and the plans of the Public Utilities Board and other Intervenors, there is a possibility that the Consumers Coalition could seek to bring evidence on these issues. However, until the scope of the issue is better defined following the Pre-Hearing Conference, the Coalition is not in a position to share names of potential expert witnesses.

Consumer Panel

The Coalition is interested in organizing a consumer panel to provide evidence before the Public Utilities Board. As previously mentioned, the Coalition has participated in organizing two consumer panels in the past and believes that it is an important innovation that allows consumer voices to be heard directly by the Public Utilities Board.

It is the Coalition's understanding that the Public Utilities Board will treat presenters as evidence and will give the presentations the weight they deserve. The Coalition would appreciate guidance from the Public Utilities Board on the organization of a consumer panel for the upcoming Manitoba Hydro General Rate Application proceeding.

Conclusion

The Consumers Coalition strongly believes that the issues determined in this proceeding will have impacts on all residential consumers in Manitoba both in the short-term and in the long-term. Through its legal counsel and its team of expert witnesses, the Coalition intends to participate in this proceeding using evidence-based advocacy in the consumer interest.

Subject to approval from the Public Utilities Board, the Consumers Coalition looks forward to participating in this proceeding,