

**From:** Christian Monnin  
**To:** Schubert, Kristen (PUB); +WPG1002 - Public UTILITIES (FIN); "[documentcontrol@mgfprojectservices.com](mailto:documentcontrol@mgfprojectservices.com)"; "[Alex.bakulev@metsco.ca](mailto:Alex.bakulev@metsco.ca)"; "[Bill Haight \(haight@dehslaw.com\)](mailto:Bill.Haight@dehslaw.com)"; "Bill Harper"; "Bob Peters ([bobpeters@fillmoreriley.com](mailto:bobpeters@fillmoreriley.com))"; "[brady@ryalleng.com](mailto:brady@ryalleng.com)"; "Byron Williams"; "[cadams@mgfprojectservices.com](mailto:cadams@mgfprojectservices.com)"; "[CHo@tmlawyers.com](mailto:CHo@tmlawyers.com)"; "Chris Oakley - Midgard ([coakley@midgard-consulting.com](mailto:coakley@midgard-consulting.com))"; "Corey Shefman"; "Daniel Peaco ([dpeaco@daymarkea.com](mailto:dpeaco@daymarkea.com))"; Christle, Darren (PUB); "David Cordingley"; "Dayna Steinfeld ([dsteinfeld@fillmoreriley.com](mailto:dsteinfeld@fillmoreriley.com))"; "Denise Pambrun"; "Donald Leitch ([dleitch@businesscouncil.mb.ca](mailto:dleitch@businesscouncil.mb.ca))"; "Doug Gotham"; "Fernandes, Odette"; "[gardner@dehslaw.com](mailto:gardner@dehslaw.com)"; "[qbarnlund@hydro.mb.ca](mailto:qbarnlund@hydro.mb.ca)"; "George J. Orle ([GOrle@woodorle.ca](mailto:GOrle@woodorle.ca))"; "Gloria Desorcy - CAC MB ([Gloria@CACManitoba.ca](mailto:Gloria@CACManitoba.ca))"; "Gregorashuk, Shannon"; "Hacault, Antoine"; "[info@manitobachiefs.com](mailto:info@manitobachiefs.com)"; "Janice Compton"; "Jarome Leslie"; "John Athas ([jathas@daymarkea.com](mailto:jathas@daymarkea.com))"; "Kathy Kelly"; "Katrine Dilay"; "Kevin Williams"; "Kieran Flanagan ([k.flanagan@mgfprojectservices.com](mailto:k.flanagan@mgfprojectservices.com))"; "Kimberly Gilson"; "Kristina Marley"; "Lynne Cooke"; "[manderson@mkonorth.com](mailto:manderson@mkonorth.com)"; "Manitoba Industrial Power Users Group (MIPUG) ([mdavies@intergroup.ca](mailto:mdavies@intergroup.ca))"; "Mary Neal"; "Michael Ballaban"; "Natalia Giraldo-Gomez ([ngomez@hydro.mb.ca](mailto:ngomez@hydro.mb.ca))"; "Niemczak, Jonathan"; "Patti Ramage"; "Paul Chernick"; "[pbowman@intergroup.ca](mailto:pbowman@intergroup.ca)"; "Pelino Colaiacovo"; "Peter Miller"; "[philip@centrehelios.org](mailto:philip@centrehelios.org)"; "[r.devereux@mgfprojectservices.com](mailto:r.devereux@mgfprojectservices.com)"; "Roger Cathcart - Cathcart Advisors Inc. ([remc@cathcartadvisors.com](mailto:remc@cathcartadvisors.com))"; "Senwung Luk"; Simonsen, Kurt (PUB); "Susan Geller"; "[Thor.hjartarson@metsco.ca](mailto:Thor.hjartarson@metsco.ca)"; Villegas, Diana (PUB); "Wallace, Brenda"; "Wayne Simpson"; Wilde, Angela (PUB); "[William S. Gange \(wsg@gchlaw.ca\)](mailto:William.S.Gange@gchlaw.ca)"; Curtis Batten  
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I am writing on behalf of the intervention of the General Service Small / General Service Medium Customer classes and Keystone Agricultural Producers ("GSS/GSM/KAP"). I note that my instructions have not been finalized. However, I am providing, in very broad strokes, the expected arguments that will be made on behalf of the GSS/GSM/KAP intervention:

- i. *The compound impact of Manitoba Hydro's rate request and its projected rates must be considered by the Public Utilities Board during its deliberations in these proceedings.*
  - The requested rate increase in this General Rate Application cannot be examined in isolation from the projected rate increases that are being proposed by Manitoba Hydro.
  - The pace and magnitude of the projected rate increases are likely to have a significant impact on ratepayers, both directly and indirectly.
  - The structure of the projected rate increases poses significant questions regarding intergenerational equity.
  - The rate request and the projected rate increases may have negative impact on Manitoba's competitive advantage.
  - The size and the pace of the rate request and the projected rate increases could and should be reduced.
  - A properly conducted macroeconomic analysis which appropriately addresses the full impacts of all the projected rate increases on the Manitoba economy ought to be conducted.
  
- ii. *Rate Balancing /Zone of Reasonableness*
  - The goal of rate design is to derive the prices that utility customers, in each class served by a utility company, will pay for each billing component.
  - The rate design process determines how best to recover the costs that utility company must collect in the form of rates for provision of utility service, consistent with regulatory principles and policies.
  - In rate making, fairness means avoiding a situation where any class of customers pays an arbitrarily high rate for electricity service because that customer class is

required to contribute to the overall cost of service in a manner that has the effect of subsidizing another class.

iii. *Operating Efficiencies and Service Quality*

- It is unclear whether the measures taken by Manitoba Hydro are of sufficient magnitude to assure that it is operating at levels of productivity consistent with its peers.
- While Manitoba Hydro has announced steps to reduce its operating costs, further evidence is necessary to determine whether these steps are sufficient.
- An independent review of Manitoba Hydro costs, staffing and operating procedures consistent with desired levels of service to determine whether existing proposed staffing cuts are sufficient to assure that Manitoba Hydro is operating consistent with reasonable, achievable levels of productivity.

iv. *Manitoba Hydro's Capital Plan is a Significant Driver of the Proposed Rate Increases*

- The pace and the magnitude of the rate request and the projected rate increases are artifacts of Manitoba Hydro's insistence on continuing with the Keeyask project and its reversal on long held positions on the timing to increase equity thickness.
- Arguments that Keeyask should not be discussed in the context of this General Rate Application are unfounded.
- In order for the Public Utilities Board to consider and set rates that balance the interest of ratepayers with the financial health of Manitoba Hydro, it must discuss the impact of Keeyask and the reversal on the timing to increase equity thickness.
- Prudence of ongoing investment programs should be further considered and reviewed.

Without limiting the generality of the foregoing, the statutes, authorities and texts which may be relied upon are as follows:

i. *Relevant and Applicable Legislation*

- The Public Utilities Act;
- The Manitoba Hydro Act; and,
- The Crown Corporations Governance and Accountability Act.

ii. *Jurisprudence*

- Well-known legal principles that have been clearly enunciated by the Manitoba Court of Appeal in the decision of *Consumers' Association of Canada (Manitoba) Inc. v. Manitoba Hydro Electric Board*, 2005 MBCA 55 at paras. 63-65:

[...]

63 The intent of the legislation is to approve fair rates, **taking into account such considerations as cost and policy or otherwise as the PUB deems appropriate.** Rate approval involves balancing the interests of multiple consumer groups with those of the utility. The PUB's decision to build retained earnings more rapidly than proposed in order to better protect the utility and consumers from the financial impact of future drought, clearly meets the intent of the legislation and is within the jurisdiction afforded the PUB in s. 26 of the Accountability Act. **[Emphasis Added]**

64 The role of the PUB under the Accountability Act is not only to protect consumers from unreasonable charges, but also to ensure the fiscal health of Hydro. It is clear the PUB understood its role in this regard.

65 The PUB has two concerns when dealing with a rate application; the interests of the utility's ratepayers, and the financial health of the utility. **Together, and in the broadest interpretation, these interests represent the general public interest.** [...] [Emphasis Added]

[...]

- “just and reasonable rates” as considered by Canadian Courts in decisions such as *Edmonton (City) v. Northwestern Utilities Ltd.*, [1929] S.C.R. 186 (S.C.C.), *Ontario (Energy Board) v. Ontario Power Generation Inc.*, 2015 SCC 44 (S.C.C.) and *ATCO Gas and Pipelines Ltd. v. Alberta (Utilities Commission)*, 2015 SCC 45.
- GSS/GSM/KAP intends to rely on relevant and applicable authorities regarding the issue of cost causation.

iii. *Other*

- Order in Council 92/17
- Principles of Public Utility Rates, Bonbright et al.

**NB: GSS/GSM/KAP reserves the right to review, consider and address the issues and arguments raised by other Intervenors and Manitoba Hydro. In addition, GSS/GSM/KAP reserves the right to rely on additional authorities that are supportive of its arguments and submissions.**

**Christian Monnin\***

Hill Sokalski Walsh Olson LLP

Litigation Counsel

2670 – 360 Main Street, Winnipeg, MB R3C 3Z3

Phone: 204-954-0758

Fax: 204-943-3934

E-mail: [cmonnin@hillco.mb.ca](mailto:cmonnin@hillco.mb.ca)

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