

Manitoba Hydro
2017/18 & 2018/19
Electric General Rate Application
Reply

February 14, 2018

Introduction

- Manitoba Hydro adopted the evidence of its witnesses at the outset of the process
- Manitoba Hydro witness testimony can be relied upon as Manitoba Hydro's position

Bill Affordability

- No evidence or analysis to determine feasibility of MKO proposals
- No analysis to determine financial impact to net income of MKO proposals

Bill Affordability

- No link between structural unsoundness of homes and eligibility for upgrades
- Indigenous participation in designs of programs and materials distributed to First Nation communities
- Classification of General Service on-reserve customers appropriate
- AMC proposal geographically based
- Future applications must be heard on their own merits

Other Conventions and Instruments

- No articulation of influence that The Human Rights Code has on PUB decision making process
- International norms cannot be given effect over clear statutory direction contained in domestic laws
- PUB's mandate clear
- Challenge to PUB's previous decisions not required in order for PUB to utilize its discretion

Coalition 2.95% Rate Plan

- Results of the proposal not tested or examined during GRA
- Safe to conclude will result in losses significantly larger than 3.95% plan in evidence
- Fails to address Manitoba Hydro's cash deficiencies in 2018/19
- Relies on cutting DSM and business operations capital expenditures which cannot be substantiated

BiPole III Calculation Errors

- MIPUG introduced concept of spreading annual requirements over 2 years based on incorrect rationale that BiPole III comes into service over 2 years
- MIPUG introduced explanation for inflated Riel Station costs arguing capital tax is embedded in rates already

BiPole III Calculation Errors

\$Millions	Restated	
	MH/MIPUG-6 2022	PUB MFR 20 2022
Finance Expense	223	223
OM&A Costs	13	13
Depreciation	107	107
Amortization of BPIII Reserve	(71)	(80)
Capital Tax	24	24
	296	287
 Add: Amort of Bipole III Deferral	 71	 80
	367	367
 Less: Revenue assoc. with lower line losses	 (15)	 (15)
Less: Costs assoc. with Riel Stn.	(40)	(20)
Less: Amort of Bipole III Deferral	(71)	-
Annual Bipole III Revenue Requirement	241	332
Bipole III Total Rate Impact	1,595 15.1%	20.8%
 Annual Bipole III Revenue Requirement in Current Rates	 (177)	 (177)
Annual Bipole III Revenue Requirement Shortfall	64	155
Bipole III Revenue Requirement Shortfall to be Recovered in Rates	4.0%	9.7%

Source: Exhibit MH-52, pg. 25

- MIPUG double counts the amount of capital tax by deducting the capital tax and deducting it a second time as it form part of the revenue requirement in current rates

Section 40 of *The Manitoba Hydro Act*

Establishment of reserves

40(1) *The board shall **establish and maintain**, and may adjust as required, **such reserves** or funds of the corporation as are sufficient, in the opinion of the board, to provide*

*(a) **for the amortization of the cost to the corporation of the property and works, (whether as a whole or in its component parts), of the corporation during the period, or remaining period, of the useful life thereof;***

*(b) **insurance, for which provision is not otherwise made, against loss or damage to any property of the corporation, or to the persons or property of others, caused by or arising out of the works or operations of the corporation;***

*(c) **for the stabilization by the board of rates or prices for power sold by the corporation, the meeting of extraordinary contingencies, and such other requirements or purposes as in the opinion of the board are proper.***

Section 40 of *The Manitoba Hydro Act*

Use of reserves

40(2) *The reserves created pursuant to subsection (1) **may be used or employed** by the board*

(a) towards the reservation and setting aside of the sinking fund established under section 41;

(b) towards the renewal, reconstruction, or replacement, or depreciated, damaged, or obsolescent property and works;

(c) towards restoration of any property lost or damaged, or the payment of any claims, in respect of which a reserve as insurance has been established;

(d) in such manner towards the stabilization of rates or prices for power, the meeting of extraordinary contingencies, and for such other requirements or purposes, as the board in its discretion deems proper; and

*(e) subject to the approval of the Lieutenant Governor in Council, **towards the cost of construction of new works** and extensions, improvements, or additions, to any property and works of the corporation*

Manitoba Hydro Role and Economic Impact Evidence

- The Court of Appeal stated that the PUB's role is to balance the fiscal health of the utility with the interest of ratepayers
- Legislation and past practice determine Manitoba Hydro's minimum filing requirements and Manitoba Hydro has never filed economic impact studies
- Decision to include economic impacts within the scope was made two months after Manitoba Hydro filed its GRA and after responses provided to two sets of Minimum Filing Requirements

Adverse Inferences

- Sopinka's Law of Evidence in Canada:

The power to draw this adverse inference is discretionary. Prior to exercising his or her discretion, a judge should consider:

- Whether the witness has material evidence on a matter at issue;
- Whether the party has given a satisfactory explanation for failing to call the witness; and,
- Whether the witness was equally available to all parties or within the exclusive control of one party.

Adverse Inferences

- Credit Rating Agencies
 - Veracity and appropriateness of the methodology and conclusions of credit rating agencies are outside the scope of GRA – facts are to be taken as a given
 - Not calling a representative of a credit rating agency is consistent with past practice before the PUB and in similar proceedings across Canada
 - Credit rating agency reports speak for themselves and are tantamount to business records

Adverse Inferences

- Expert Opinion Evidence
 - Best qualified experts are those employed by Manitoba Hydro who work in the industry every day
 - Manitoba Hydro's Board of Directors are experienced, knowledgeable and independent with no personal incentive, making decisions based on the best interests of the Corporation

Efficiency Manitoba

- Inappropriate to use Manitoba Hydro's GRA to drive the course of Efficiency Manitoba ahead of its own regulatory framework
- The *Efficiency Manitoba Act* has no direction in terms of ensuring the lowest possible costs to consumers in their bills

Capital

- Numerous oversight mechanisms already in place
- Annual hearings not recommended by KCB
- Another BCG Report on Keeyask impractical and unnecessary
- Evidence regarding synchronous condensers mischaracterized
- Changes to Gillam Redevelopment Expansion Program demonstrate fiscal responsibility

Benchmarking

- All utilities possess unique characteristics and their own collection of complex and challenging circumstances
- It is a challenge to get comparable results; even more of a challenge to use those results to identify real operational opportunities
- GSS/GSM sample contract simplistic without parameters or identification of useful metrics