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March 24, 2017

Darren Christle
Secretary and Executive Director
Public Utilities Board of Manitoba
400 – 330 Portage Avenue
Winnipeg, Manitoba R3C 0C4

Dear Mr. Christle:

RE: MANITOBA HYDRO INTENTIONS IN RESPECT OF 2017 RATE APPLICATION(S)

Manitoba Hydro is in receipt of the letter of the Public Utilities Board (“PUB”) dated March 17, 2017 requesting information as to Manitoba Hydro’s intentions with respect to filing a General Rate Application (“GRA”) in 2017.

Manitoba Hydro anticipates filing its next GRA with the PUB in late April or early May. The Application materials are planned to include updated responses and information to most of the PUB’s Minimum Filing Requirements (“MFR”) issued with respect to the 2015/16 and 2016/17 GRA and Manitoba Hydro’s Supplemental Filing for Interim Electric Rates effective April 1, 2016. In its filing, Manitoba Hydro will identify any MFRs where it is unable to provide a response, such as those where the information is unavailable or where the MFR dealt with matters specific to a previous application only.

The significant new matters or material changes since Manitoba Hydro’s last General Rate Application include the following:

- Appointment of a new Manitoba Hydro-Electric Board and its subsequent review of the Corporation’s operations, capital programs and finances.
- Increase in the control budget for the Keeyask Generating Station and delay in first unit in-service date;
- Increase in the control budget for the Bipole III Reliability Project;
- Deterioration in the forecast of domestic load growth;
- Reduced outlook for escalation in the pricing of extra-provincial sales, and;
- Substantial headcount and operating cost reduction underway at the Corporation.

As such, Manitoba Hydro anticipates the major topics and issues to be deliberated in the next GRA to include:

- Confirmation of 2016/17 interim rates approved in Order 59/16;
- Proposed rate increases for the 2017/18 and 2018/19 fiscal years;
- Integrated Financial Forecast and related assumptions (interest rates, export prices, operating costs, load forecast and capital renewal needs);
- Current and prospective financial position for the Corporation and risks associated therewith;
- Capitalization and financial vulnerability of the Corporation and the plan to address;
- Cost of Service Study (PCOSS18) and proposed rate increases;

- Previous PUB Directives regarding asset condition assessments and the bill affordability collaborative process; and
- The treatment of the Corporation's expenditures for the Conawapa Generating Station project.

In order to establish a workable scope for the hearing process, Manitoba Hydro does not intend to significantly address issues which have been extensively canvassed in past hearings or issues which are not directly pertinent to the current application (i.e. the appropriateness of using an Average Service Life or Equal Life Group depreciation methodology, and the status of the new entity responsible for Demand Side Management). Manitoba Hydro proposes that the review of these (and similar) issues in this GRA will be limited to the assumptions contained in the financial forecasts. Further, rate design matters such as inverted rates or time-of-use rates will not be proposed as part of this GRA.

The PUB has also requested Manitoba Hydro provide its initial preferences or recommendations as to process and procedural matters, and included a list of potential considerations which may result in a more expedient and efficient process. Manitoba Hydro is appreciative of the PUB's initiative and welcomes the opportunity to provide the following views and recommendations with respect to the process:

- 1. Scope should be defined as early as practical and strictly adhered to by all parties during the regulatory process.**

Manitoba Hydro is strongly of the view that the effectiveness of a regulatory process is of paramount importance and that the establishment of an appropriate scope of issues to be addressed is critical to conducting an effective process. It is important that all parties invest sufficient time and effort in the beginning stages of the process to enable the PUB to determine the right process steps and scope in order to achieve the best possible outcomes for the ratepayers. It is imperative that interveners take appropriate steps to examine Manitoba Hydro's filing as soon as it is publicly available, and be fully prepared to address the issues to be considered in and out of scope at the Pre-Hearing Conference to follow. Manitoba Hydro is of the view that the PUB's Procedural Order should delineate and prioritize those matters that will be reviewed during the GRA, and correspondingly identify those matters that will be deferred for future consideration or that are not significant to the PUB's review. Subsequent PUB determinations with respect to participant budgets, MFRs or Information Request (IR) processes could then be made with the benefit of a clear understanding of the scope of the hearing.

- 2. Minimum Filing Requirements and Information Requests should be limited to those that are significant and relevant, and that can be provided with reasonable effort.**

Manitoba Hydro is supportive of all efforts undertaken by the PUB to ensure that the volume of information requested is appropriate in recognition of the significant internal cost to responding to information requests and that more information does not, in and of itself, guarantee a better regulatory outcome. Furthermore, Manitoba Hydro is not convinced that more MFRs serve to reduce the overall number of information requests that are asked.

Should parties be given the opportunity to ask MFRs of Manitoba Hydro, it is expected that the parties consider the MFRs already posed by the PUB in order to reduce the potential for duplication, address subject matter that is relevant and significant to the issues to be decided on by the PUB, and can be provided within reasonable effort and time by the applicant.

Manitoba Hydro acknowledges that all parties require the ability to clarify and understand Manitoba Hydro's application and positions on issues by way of IRs; however, in the proceedings between 2008 and 2012, Manitoba Hydro has received on average approximately 2,000 IRs in each proceeding. MFRs from Interveners should be considered only if they serve to reduce, and not increase, the number of IRs asked and/or eliminate the need for a second round of IRs.

In the past, the PUB has required Interveners to coordinate efforts to minimize duplication and costs that are ultimately passed on to ratepayers. Manitoba Hydro believes that further improvements could be made by establishing a limit (by Intervener) on the number of IRs that may be asked of the applicant to give participant clear direction to focus their intervention. Manitoba Hydro also supports a staged approach where the PUB provides its IRs first, followed by interveners in an order specified by the PUB, which would allow parties to avoid duplication of efforts. If the PUB determines that a second round of IRs is required, these should be limited to clarification of responses provided to first round IRs.

3. An Application Overview Workshop has value, provided that all Interveners actively participate in the process.

An Application Overview Workshop, held after the filing of the Application materials and prior to the Pre-Hearing Conference, may be useful in assisting all parties to better prepare for the discussion of scope at the Pre-Hearing Conference. Manitoba Hydro also strongly supports the development of an issues list which would be of assistance to the PUB Panel in determining the final scope of the hearing process. An independent party, such as the PUB staff or advisors (and not the Applicant) should be responsible for developing and maintaining the issues list.

4. Technical Conferences may be useful in conjunction with written information requests as a way of focusing the oral hearing to the high level policy issues.

Manitoba Hydro observed through the recent COSS Review that technical conferences may not be a practical substitute for IRs, but may be highly useful when used in conjunction with a prior round of information requests. Manitoba Hydro believes that addressing detailed technical topics through a transcribed technical conference in advance of the oral hearing process may result in a more focused hearing and a more fulsome examination of the policy considerations that are germane to the decisions to be made by the PUB.

5. Reviewing non-key issues through a written process may allow for the oral hearing to focus on significant policy issues relevant to the PUB's review.

Manitoba Hydro is supportive of a process which focuses the oral hearing on significant policy issues. Evidence or submissions not directly related to the significant policy issues being dealt with at the oral hearing could be addressed with written submissions provided that a clear delineation is provided by the PUB regarding those issues that are to be addressed through the written process and technical conferences, and those that will be the subject of the oral hearing.

6. Intervener funding and participation in the regulatory process should consider the scope established by the PUB and the value that all ratepayers receive from their contribution to the process.

Manitoba Hydro proposes that the PUB establish an overall funding limit for interventions on a top-down basis and allocate those funds amongst intervener participants based on the approved scope of intervention for each participant. Moreover, where a new party is approved to intervene, the scope of intervention and associated costs of existing Interveners with similar interests and/or representing the same class should be reduced accordingly. Recognizing that the cost of intervention is ultimately borne by all ratepayers, Manitoba Hydro is of the view that interveners should be required to justify their proposed intervention and that intervener funding should not be provided to parties that largely represent their own commercial interests. Moreover, Manitoba Hydro is also of the view that the shorter timeframes associated with a GRA (compared to the NFAT, for example) should not require interim funding be provided.

Manitoba Hydro looks forward to continuing to work in a cooperative manner with all parties in the upcoming GRA process. Should you have any questions with respect to the forgoing, please contact Greg Barnlund at 204-360-5243 or Shannon Gregorashuk at 204-360-4270.

Yours truly,

MANITOBA HYDRO, RATES & REGULATORY AFFAIRS

Per:



GREG BARNLUND
Division Manager

cc : Patti Ramage, Manitoba Hydro
Odette Fernandes, Manitoba Hydro
Shannon Gregorashuk, Manitoba Hydro
Bob Peters, Board Counsel
All Interveners of Past Record