

2017 09 05

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

Dear Mr. Christle:

**RE: MANITOBA HYDRO 2017/18 AND 2018/19 GRA – FIRST ROUND INFORMATION REQUESTS**

Compliant with the timetable issued by the Public Utilities Board (“PUB”) in Order 70/17, Manitoba Hydro is filing responses to the following:

- 336 Information Requests from the PUB;
- 809 Information Requests from the Consumers Association of Canada (Manitoba)/Winnipeg Harvest (“Coalition”);
- 112 Information Requests from the Manitoba Industrial Power Users Group (“MIPUG”);
- 139 Information Requests from the Green Action Centre (“GAC”);
- 95 Information Requests from the Assembly of Manitoba Chiefs (“AMC”);
- 40 Information Requests from the Manitoba Keewatinowi Okimakanak (“MKO”);
- 16 Information Requests from the General Service Small and General Service Medium representatives (“GSS/GSM”).

Please see the attached list for additional Application materials and Minimum Filing Requirements being filed with the PUB and Interveners.

Manitoba Hydro has filed responses to all 1,547 First Round Information Requests as prescribed in Order 70/17.

Manitoba Hydro was instructed by the PUB that all responses, where applicable, incorporate the effect of Order 80/17 and to include actual results for 2016/17.

The consequence of the 3.36% interim electric rate increase awarded in Order 80/17, when incorporated into Manitoba Hydro's integrated financial forecast (MH16-Update), is to delay the forecast achievement of Manitoba Hydro's minimum target equity ratio of 25% until 2031/32. Manitoba Hydro is committed to restoring its financial health over a 10 year period, as to do so is in the long-term interests of its ratepayers. As such, the profile of indicative future rate increases in MH16-Update has been augmented in order to, consistent with MH16 as filed May 12, 2017, return Manitoba Hydro to a 25% equity to capitalization ratio by 2026/27.

Manitoba Hydro now projects additional rate increases of 7.9% per year in each of 2022/23 and 2023/24 and an increase of 4.54% in 2024/25 instead of the 2% per annum that MH16 reflected from 2022/23 to 2024/25. These rate increases are necessitated by the compounding nature of foregone revenue associated with Order 80/17 in comparison to the interim rate increase requested for August 1, 2017. For clarity, all relevant IRs have been answered incorporating Order 80/17 and the consequent impact on indicative rate increases beyond the test years highlighted above. There have been no other changes in any other assumptions.

MH16 Update with Interim has been filed as Appendix 3.8 to the Application.

In advance of second round Information Requests Manitoba Hydro believes it must address several matters related to the PUB's letter of August 18, 2017:

- Manitoba Hydro has expressed concern with the unprecedented total budget of the Interveners. Based on the Corporation's assessment of the number and quality of the First Round Information Requests, Manitoba Hydro is increasingly disappointed with the apparent lack of respect that certain Interveners have for both the PUB's instruction regarding focused intervention and the reality that the costs of their intervention are ultimately borne by Manitoba Hydro's customers.
- Manitoba Hydro submits that simply not exceeding the high number of IRs of past proceedings is a poor barometer of whether the Interveners have been effective in their inquiries. Moreover, prior proceedings did not incorporate the substantial Minimum Filing Requirement process utilized in this proceeding as means to support and encourage a reduction in IRs later in the process. It would appear that the over 200 Minimum Filing Requirement responses filed by Manitoba Hydro had no impact on reducing the number of IRs asked in the first round.

- Manitoba Hydro's updated financial forecast (MH16-Update) was filed four days prior to the deadline established by the PUB in Order 70/17. The suggestion that having been enabled with more time than the PUB's timetable under Order 70/17 originally contemplated somehow compromised Interveners capacity to produce thoughtful, material questions is not reasonable.
- Manitoba Hydro plainly identified in its August 2, 2017 letter that it would not challenge whether any specific IR was within scope or relevant. It should be of great concern to the PUB that Manitoba Hydro concludes, from experience, that it is more efficient to simply answer an IR, regardless of value or fit within scope, than to challenge by way of motion.
- Absent the PUB screening IRs and holding Interveners accountable, there is no practical means for Manitoba Hydro to abate immaterial, irrelevant and/or redundant queries. The Interveners have been to date held only to a standard set by themselves to focus their efforts and have predictably, particularly in the case of the Consumers Coalition, abused the process.
- Manitoba Hydro's ability to meet the regulatory calendar was further compromised by the July 24, 2017 direction that any financial responses incorporate any interim rate order impacts. Order 80/17 was not issued, and thus the interim rate increase not actually known, until July 31, 2017. Manitoba Hydro was not in a position to even begin numerous financial IRs before one of the six allotted weeks had already passed. This was not a reasonable treatment of the applicant and by itself should have allowed for timetable relief.

Manitoba Hydro acknowledges that strong regulatory oversight is essential and that customers are best served by a regulatory process that is both effective and efficient. Ratepayers bear 100% of the costs of this regulatory process. Manitoba Hydro has demonstrated respect for this process, as evidenced by timely and comprehensive responses to all the information requests. Manitoba Hydro has, at great cost and difficulty, now met what were unreasonable obligations with respect to First Round IRs given the expectations set by the PUB of all parties to contribute to a more efficient process. Continuing to require this level of management effort and demands of staff will severely impair Manitoba Hydro's ability to move its business forward inclusive of restructuring, head-count reduction and improvement initiatives underway.

The Corporation reiterates its expectation that the PUB act aggressively to ensure all participants are held to a high standard of focus, efficiency and materiality from here forward. Manitoba Hydro's ratepayers – who are funding the entirety of this process – are owed that.

Should you have any questions with respect to the forgoing, please do not hesitate to contact the writer at 204-360-7777 or Greg Barnlund at 204-360-5243.

Yours truly,



Kelvin Shepherd, P. Eng.  
President and Chief Executive Officer

KAS/dac

c : All Approved Interveners  
Patti Ramage, Manitoba Hydro  
Odette Fernandes, Manitoba Hydro  
Bob Peters, Board Counsel  
Dayna Steinfeld, Board Counsel

## **Appendix I – Additional Materials Filed on September 5, 2017**

### **Application**

Manitoba Hydro is also enclosing the following new or updated Appendices to the Application:

- Appendix 3.8 (MH16 Update with Interim) which includes the financial statements reflecting MH16 Update with 2016/17 actual results and the 3.36% interim rate increase effective August 1, 2017;
- Appendix 4.5 (KPMG Updated Report) which includes a supplementary update to the December 2015 Financial Target Review Report prepared by KPMG;
- Appendix 6.6 (Tab 6 Updated Schedules) which includes updated Tab 6 Schedules reflecting actual results for 2016/17 and the 3.36% interim rate increase effective August 1, 2017, as well as an additional Figure 6.35 (Non-Recurring Gain);
- Appendix 7.4 (Directive 5 of Order 43/13) providing actual monthly hydraulic generation, water conditions and extra-provincial energy exchange data for the month of July 2017;
- Appendices 9.1 to 9.6 updated to include Proof of Revenue, Rate Schedules and Bill Impacts that reflect the approved interim rate increase effective August 1, 2017, and proposed rates for April 1, 2018;
- Appendix 9.13 updated to include the 2017 Survey of Canadian Electricity Bills; and
- Appendix 10.12 which includes information in response to the Operating & Administrative Expense Benchmarking directive (Directive 6 of Order 150/08).

### **Minimum Filing Requirements**

Manitoba Hydro is also enclosing the following Minimum Filing Requirements:

- PUB MFR 72 (Revised) to include redacted copies of the Boston Consulting Group (“BCG”) additional reports;
- PUB MFR 78 (Revised) to include the DBRS Credit Rating Report for the Province of Manitoba dated July 12, 2017;
- PUB MFR 82 (Revised) to include corrections to the incremental revenues and unit revenues from Keeyask provided in the original response filed on June 21, 2017; and
- PUB MFR 161 to include HVDC converter equipment proposal prices against Manitoba Hydro’s reference estimates.