

October 2, 2017

Mr. D. Christle
Secretary and Executive Director
Public Utilities Board
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

Dear Mr. Christle:

**RE: MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION (“GRA”) – IEC
SCOPE OF WORK**

Manitoba Hydro is in receipt of two letters on behalf of the Manitoba Industrial Power Users Group (“MIPUG”) each dated September 21, 2017 and a letter dated September 22, 2017 on behalf of the Coalition.

MIPUG circulated a September 21, 2017 letter to all Parties (addressed to counsel for the Business Council) dealing with Intervenor expert evidence. For the record, Manitoba Hydro notes with concern MIPUG’s stated intention to call witnesses to address the purpose and role of Manitoba Hydro as well as the regulation of utilities. Exclusion of these topics from the scope of the GRA was settled by virtue of the PUB’s ruling that Manitoba Hydro’s organizational model as prescribed by legislation is excluded from scope (Order 70/17, p. 26). Manitoba Hydro’s constating legislation addresses both its mandate and regulatory framework and there is no need to call witnesses for this purpose.

The other MIPUG September 21, 2017 correspondence addresses the Scopes of Work of Independent Expert Consultants MGF Product Services (“MGF”), Daymark Energy Advisors (“Daymark”) and Dr. Adonis Yatchew (“Yatchew”).

Manitoba Hydro provided detailed comments with respect to the MGF Scope of Work in its letter of September 18, 2017 and MIPUG has not raised any additional points which it believes require reply.

MIPUG suggests Daymark be asked to comment on where in the zone of reasonableness

Manitoba Hydro's forecasts fall, with particular reference to forecasts for exportable surplus energy. Subject to addressing confidentiality concerns, Manitoba Hydro supports the role of the IEC in facilitating confidence in forecasts which due to confidentiality and proprietary property issues cannot be fully disclosed to Intervenors. Manitoba Hydro does have concerns that positioning its Electricity Export Price Forecast against a zone of reasonableness could lead to unnecessary and unproductive complications in Manitoba Hydro's ongoing efforts to negotiate new export contracts. Ultimately the PUB, MIPUG and all ratepayers have a vested interest in seeing that Manitoba Hydro's efforts in this regard are not compromised – committed export contracts at favourable prices are critical to mitigating upward rate pressure. With these comments in mind, Manitoba Hydro does not object to MIPUG's suggestions although is not confident a change to Daymark's Scope of Work is necessary.

Manitoba Hydro has concerns with MIPUG's suggested changed to Dr. Yatchew's scope item # 5:

5. Review, assess and provide an explanation of any implications for the economy of the Province of Manitoba arising from the impact of any rate increase or lack thereof on the fiscal health of the utility.

MIPUG argues that implicit in this work is an assessment of the impact of a rate increase or lack thereof on the fiscal health of the utility. MIPUG suggests this component of Dr Yatchew's scope be deleted on the basis that there are no other scope items linked to assessing the utility and its fiscal health. In the alternative, MIPUG suggests item 5 be revised as follows:

5. Review, assess and provide an explanation of any implications for the economy of the Province of Manitoba arising from ~~the impact of any rate increase or lack thereof on~~ uncertainty generated by competing claims regarding the fiscal health of the utility and consequent rate increase proposals.

Manitoba Hydro reiterates its concerns with this area of exploration, however it it is going to be examined, MIPUG's revisions do not make sense. MIPUG's concern that Dr. Yatchew is required to assess the fiscal health of the utility in order to address the question posed is misguided. The GRA as a whole will exhaustively vet the question of Manitoba Hydro's fiscal health. The proposed revisions in effect require Dr. Yatchew's to quantitatively assess the economic damage that results from the existence of divergent opinions regarding the fiscal health of Manitoba Hydro. This is an impossible task that cannot be quantified.

The PUB's mandate as enunciated by the Manitoba Court of Appeal¹ is to balance the interests of ratepayers with the fiscal health of the utility. As such if the PUB is to examine provincial impacts, such inquiry should be narrow and specifically consider the impacts of long term rate instability and overall higher rates in the long run that are the likely consequence of not taking stronger action to address Manitoba Hydro's finances in the short term. In other words, the IEC should explore whether the Manitoba economy is better served by taking steps to keep rates lower in the long run (through higher near term rates) or is it better served by keeping rates lower in the short term, but higher in the long run.

The Coalition provided a number of comments with respect to MGF's Scope of Work, including Manitoba Hydro's proposed revisions. Manitoba Hydro's submission addressed Scope of Work concerns given the purpose of the review and time constraints with which parties are faced:

Manitoba Hydro suggests the PUB ought to be guided in its review by the considerable efforts and conclusions of earlier reviews; whether there exists the ability to effect change with respect to the subject matter; whether the subject matter impacts current rate decisions and of course, whether the subject matter falls within the mandate of the PUB as defined by legislation and OIC 92/17. (Manitoba Hydro September 18, 2017 Scope of Work submission p. 1)

The Coalition's submission serves to distract from a reasoned discussion of the appropriate scope of work for MGF. To be clear, it is unfair and inaccurate to characterize Manitoba Hydro's submission (which was clearly based on a straightforward and practical criteria), as being guided by a desire to avoid review of the past decisions. The Coalition's call to test decade old evidence in order to evaluate Manitoba Hydro's credibility must be seen for what it is – a veiled effort to turn the current rate review into an inquiry far beyond that contemplated in OIC 92/17. The Coalition's submission entirely fails to address the key questions referenced above most notably whether the scope item falls within the legislated mandate of the PUB. Tactics blatantly aimed at usurping boundaries established by law in order to advance alternative agendas should be rejected out of hand. In Manitoba Hydro's view, the Coalition's submission represents a further example of its proclivity to waste resources rather than focus efforts on the considerable and important questions at hand.

¹ Consumers Association of Canada v. Manitoba Hydro 2005MBCA 55 (Man C.A.)

If you have any questions or comments with respect to this submission, please contact the writer at 204-360-3946 or Odette Fernandes at 204-360-3633.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES DIVISION

Per:



PATRICIA J. RAMAGE

Barrister & Solicitor

cc:

Bob Peters, Board Counsel
Dayna Steinfeld, Board Counsel
All Interveners of Past Record