

2017/18, 2018/19
General Rate Application

Manitoba Hydro
Opening Comments

Challenging times for Manitoba Hydro

- 7.9% is an exceptional rate request
- These are exceptional circumstances
- This request is not made lightly
- We cannot afford to avoid or defer coming to terms with realities of the finances of Manitoba Hydro

Key Issue - Debt and Cash Flow

- Manitoba Hydro does not have enough cash to pay its operating expenses, manage its risks and pay its interest expense
- Managing risks includes being able to weather a drought and cope with a rise in interest rates
- Counting on above average water flows and Depression era interest rates is not the answer
- It is incumbent upon all of us to get this right

Key Issue – Debt and Cash Flow

- When debt is a problem you change your behavior - cut costs and increase revenues
- Manitoba Hydro has undertaken significant cost control measures
- Manitoba Hydro cannot grow itself out of this predicament
- The only other tool in the tool box is rate increases

Key Issue – Debt and Cash Flow

- Currently 40 cents of every domestic revenue dollar is applied to finance expense
- 40 cents does not include interest expense associated with major projects
- Bipole III is 9 months away and will add \$205 million annually to interest expense

Key Issue – Debt and Cash Flow

- 2024: @3.95% - 63% of domestic revenue is applied to finance expense

@7.9% - 45% of domestic revenue is applied to finance expense

Voluminous Amounts of Information on the Record

- To date, there has been over 32,000 pages of information filed in this proceeding
- The key issue is straightforward : Does Manitoba Hydro have enough revenue to operate the business, manage its risks, and pay its finance expense?
- Manitoba Hydro has identified key pieces of evidence which it believes will assist the Board in focusing on the issues to be determined in this GRA

Assessing the Evidence

- Will the perspective being promoted provide Manitoba Hydro with enough cash to operate the business, manage its risks and pay its finance expense?
- Resist the temptation to be distracted by issues or debates which have little or no impact on the need for rate increases now
- Ask – who benefits from addressing the issue as suggested and does it balance the interests of ratepayers with those of the utility?
- Is the information being presented on a consistent, "apples to apples" basis. Are the assumptions valid?

Manitoba Hydro's Answer

- Carefully listen to Intervenor's evidence, their answer is to shift this burden unfairly to ratepayers of the future
- A 7.9% rate increase fairly shares the burden between today's ratepayers and those of the future
- It's in everyone's best interest that Ratepayers understand the reason for this rate increase

Affordability

- Manitoba Hydro knows this rate increase will have a serious impact on its ratepayers who experience energy poverty, including many of our Indigenous customers
- This is an issue that requires many parties working together to find meaningful solutions
- Today's reality is that we have a choice between rate increases today or even larger rate increases in the future – that is why we need to get this right.