

**MANITOBA HYDRO 2017/18 AND 2018/19 GENERAL RATE APPLICATION
REPLY SUBMISSION ON MANITOBA HYDRO COMMENTS REGARDING
MANITOBA INDUSTRIAL POWER USERS GROUP BUDGET SUBMISSION**

Manitoba Hydro provided comments to the Board regarding intervenor cost claims on July 21, 2017. In their letter, Hydro challenges the budgets submitted on a number of fronts. The Manitoba Industrial Power Users Group (MIPUG) provides the following brief comments in response to the issues raised in Hydro's letter.

First, Hydro takes issue with the scale of costs in relation to the Needs For and Alternatives To (NFAT) review. Hydro asserts that the current hearing is not comparable to the scale and scope of an NFAT hearing. MIPUG disagrees. The current hearing is scheduled to cover a period of 11 weeks. Assuming one week off, and 4 sitting days, this would leave 40 hearing days, not counting pre-hearing conferences, technical workshops, etc. occurring before the hearing proper. MIPUG would not propose to attend all parts of the hearing (e.g., those hearing days covering low income issues, or CSI). The NFAT hearing was similarly on the order of 40 hearing days and similarly MIPUG did not attend for CSI days or issues that were not the core focus. Further, MIPUG notes that the 2010 GRA/Risk hearing was 39 hearing days. MIPUG can confirm that its budget for the 3 hearings is nearly identical.

For Hydro, the NFAT may have been a larger undertaking, including extensive work with the various Board Independent Expert Consultants, but for intervenors this did not take time or budget. For this reason, Hydro's assertion that the NFAT is larger for intervenors is not correct.

Second, Hydro acknowledges that the proposed rate increases are "higher than has previously been advanced" but in this statement seriously understates the enormous magnitude of the Hydro proposals. Tab 3 page 8 of the GRA filing notes that the simple change from the earlier 3.95% trajectory to the 7.9% trajectory results in over \$2.5 billion additional in rates being pulled out of the Manitoba economy (while MIPUG notes that the 3.95% trajectory was untested and concerning in itself). This scale of increase

- \$2.5 billion over 10 years – is on the same order of magnitude impact on the Manitoba economy as 10 years of a 1% PST increase. As the Board is no doubt aware, the high degree of public discourse and exchanges surrounding a 1% PST increase highlight how onerous and troubling the new Hydro proposals are for the Manitoba economy. Short shifting the resources or time for the review would not be commensurate with its extreme impacts.

On the issue of taking lead roles and identifying the issues on which MIPUG will take a leading role, MIPUG has and expects to continue to communicate with various intervenors with the goal of avoiding duplication and achieving efficiency. MIPUG believes that its interventions are focused. The estimates provided by MIPUG reflect an assumption that duplication will be avoided and efficiency achieved. Counsel and consultants continue to have those goals in mind on an ongoing basis - to and including the hearing on issues of direct examination and cross-examination.

In regard to Hydro's comments on MIPUG specifically, Hydro takes issue with MIPUG noting the testing of DSM assumptions and the depreciation methodology implementation. Hydro fails to mention that both of these items are specifically mentioned in the Board's Order 70/17 Appendix A for MIPUG to address. It is not MIPUG intention to go beyond the scope of these issues highlighted at pages 25-26 of the Board Order 70/17 (DSM financial forecast assumptions both in and beyond the test years, and the proposed recovery of the financial difference arising from implementing ELG depreciation rates).

Hydro also asserts that the engagement of Gerry Forrest on matters of Crown utility risk and regulatory principles applicable to ratemaking is "not part of the issues approved by the PUB for the purpose of this proceeding". MIPUG disagrees. "Risk" was given its own row in the table of issues (page 45) and is a sub-issue (page 35) approved for this hearing as was "Manitoba Hydro's mandate as a Crown utility versus a private entity" (page 40). Risk and Regulatory principles applicable to rate making are identified in a number of approved issues. For example, (page 32) "intergenerational impacts", (page

33) “Yes - including purpose, mandate, role and objects of Hydro and Manitoba Hydro”, page, (page 34) “Appropriate Capital structure for Crown utility”, On the matter of “Crown utility risk and regulatory principles appropriate to ratemaking”, MIPUG says the hearing is about setting regulated rates for a Crown utility.

Finally, in regard to GST, MIPUG apologizes for any oversight. GST is not typically included in consulting claims as it is a recoverable for the other party. If the Board’s approved values are intended to include GST, please adjust MIPUG’s budgets for this accordingly.