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***VIA E-MAIL***

Manitoba Public Utilities Board
400 - 330 Portage Avenue
Winnipeg, MB R3C 0C4

Attention: Kurt Simonsen
Associate Secretary

Dear Sirs/Mesdames:

Re: Manitoba Hydro Application to Review and Vary Order 59/18
Our File No. 17161 WSG

Green Action Centre has received Manitoba Hydro's May 30, 2018 application to review and vary Order 59/18 and the PUB's June 1, 2018 reply, with an invitation to parties to respond by June 18.

In our response to this re-litigation, we will not engage in new legal argumentation but will rely on a broad perspective defended at length by ourselves and adjudicated by the PUB in several hearings and Orders, which includes the following elements.

1. The PUB is responsible for setting just and reasonable rates in the public interest.
2. The public interest, as determined by the Manitoba appellate court, must balance the interests of Manitoba Hydro's ratepayers over time and the financial health of Manitoba Hydro.
3. The PUB has broad discretion in the many considerations it brings to bear in determining just and reasonable rates.
4. Rate affordability and bill assistance as a potential remedy for adversely impacted lower-income customers are among the considerations that the PUB has determined are relevant to setting just and reasonable rates.

5. Although, in the aggregate, Hydro must recover sufficient revenues from all its customers to cover its costs, it need not do so class by class.

In addition, we have argued the following points, which may not be as clearly reflected in the PUB's judgment.

6. Rising rates of energy poverty are not simply a social welfare problem or social policy issue, for which the province is responsible. It is also a utility problem, for which Manitoba Hydro bears partial responsibility from its capital investment and cost recovery choices, from which MH experiences consequences through bill payment defaults and soured customer relations, and for which Manitoba Hydro has available remedies, found in other jurisdictions, that include differential more affordable rates for lower income customers.
7. There is a strategic business case for Manitoba Hydro to provide relief to its most hard-pressed customers, whose expenditure trade-offs are more likely to be between necessities than between discretionary expenditures.
8. Boston Group recognizes that there is considerable head room for rate increases in Manitoba, relative to several metrics, but that the domestic rate increase component of a "work-out program" of Manitoba Hydro's high debt load will have a disproportionate impact on low-income and First Nation customers unless differential rates for low-income customers are instituted, as other jurisdictions have done. Boston Group mistakenly assumes that the legislative wing of government must enable this (perhaps reflecting Manitoba Hydro's input) without recognizing that the legislature has empowered the PUB to engage in this balancing act (MFR 72 - 286-92, 388-89 and 466-68 out of 615).
9. Green Action Centre, in its response to the Bill Affordability Report, argued that the current practice of trying to balance multiple customer interests and MH financial health on a uniform basis risks both unaffordable increases for high energy burden low-income customers and low-balling of Manitoba Hydro's financial needs, as described in this excerpt.

> *A fundamental policy question is whether energy affordability should have any bearing on rate-setting and if so how? A traditional response is that home energy fuels are commodities to be supplied to each and every customer at a common price without regard to ability to pay, like gasoline at the pump. Another response is to accept the common price rate perspective and use the negative impacts of increases on high-energy-burden households, in a regulated context, as grounds for containing or lowering the price for customers at all income levels even though the impacts may be negligible for high-income, low-burden households. Such an approach creates a trade-off between affordable energy burdens for low-income households and raising sufficient revenues for the financial well-being of Manitoba Hydro, which has implications for longer-term risks, costs and rate shocks. The trade-off approach runs the risk of either facilitating unaffordable energy burdens by rejecting rate discount solutions*

> *or risking the financial health of Manitoba Hydro by low-balling Hydro's revenue requirement or both. A third response, which we considered in the Bill Affordability Working Group, is to design alternative rates or rate discounts to make bills more affordable for income-eligible customers.*
>
> *Green Action Centre has long argued that this third response and other bill mitigation strategies for low-income, high-energy-burden customers are consistent with and even implied by Manitoba Hydro's legislated mandate as regulated by the Public Utilities Board* (GAC-3, 8 of 12).

This position was reflected in Green Action Centre's final argument as well (GAC-25).

10. Finally, the evidence presented by multiple parties was that the Province has shown no signs of intervening to provide a solution to low-income affordability and that a solution by the utility is needed. (See, for example, the testimony of Simpson and Mason cited in GAC-25, p, 12)

From this perspective, we offer the following brief comments.

Appendix A - Bill Affordability and First Nation On-Reserve Residential Class – Directive 6

Green Action Centre's preferred solution is for the PUB to create a remedy for all high energy burden low-income customers, contrary to MH's denial of jurisdiction to do so. We have provided extensive evidence and argument over multiple hearings in support of this position. We note that the position, also affirmed by the PUB, includes the ability to subdivide the residential class to recognize the differing needs of a lower-income high energy burden subgroup from higher income and low energy burden customers. We recognize the PUB's reasons for wishing to begin with a well-defined group, First Nation residents, which could also be supported by a reconciliation mandate. We leave it to others to clarify whether this is a viable carve-out from a wider problem. We find it unfortunate that Manitoba Hydro has been unwilling to incorporate the Boston Group's recommendations on lower-income rate relief into its domestic revenue enhancement strategy and that the PUB, despite affirming its jurisdiction to do so, has not ordered a beginning to the process for all high energy burden lower income customers. We reiterate that no witnesses expressed confidence that the problem would be solved by the Province, which has other priorities.

We do not intend to repeat the arguments that Green Action Centre has made since 2008 that have analyzed the jurisdiction of the Board to implement a bill assistance program. These arguments have been accepted by the Board in Board Orders 116/08, 5/12, and 73/15. There is nothing in the current order that departs from the decisions of previous Board orders. Green Action Centre submits therefore that the Board dismiss this ground.

Appendix D – Technical Conference on Minimum Equity – Directive 9

Green Action Centre shares Manitoba Hydro's concern that the assumptions underlying the directive to participate in a technical conference on minimum equity are (a) unclear and potentially contradictory and (b) subvert the need for long-term planning. We believe this situation may in part be attributable to an overreliance on the testimony of Morrison Park Advisors.

GAC sees its role in these proceedings as a promoter of sustainable energy services able to meet the needs of Manitobans in the present and in the future in an ecologically and economically efficient way. We believe that a longer-term perspective and objectives are important for achieving this outcome.

The slower paydown of accumulated debt recommended by Morrison Park admittedly increases the long-term cost of electricity relative to a faster paydown through greater accumulated carrying charges. This consequence, however, is deemed acceptable by discounting the future cost of electricity to favor current rate-payers. This position has at least two consequences: (a) an increased cost of power for all future Manitobans and (b) an increased risk that Manitoba Hydro's assets become uncompetitively expensive in the face of lower costs for disruptive generation and storage technologies. The former consequence raises the question of whether we have optimized the cost of power over time for Manitoba Hydro's customers. The latter consequence raises the question of whether we are providing disincentives for future investments in Manitoba and the possibility of attrition of the customer base through grid defection, which would serve to exacerbate the cost of power and provide further upward pressure on rates for those who remained grid reliant.

Morrison Park's approach, from a creditor's perspective, requires only the confidence that the PUB will step in to raise rates if conditions warrant. Ignored in this analysis is the flexibility of the PUB to lower Manitoba Hydro's rates to keep Manitoba's rates competitive in the future. High debt greatly restricts the PUB's room to make rates more competitive in the future.

Thus, a conference on devising rules or guidelines or targets for rate regulation should not be too narrowly defined by exclusive commitment to a minimum equity threshold. That may be one limit to keep in mind along with other considerations to optimize rates on balance from both longer and shorter-term perspectives (as well as a differentiated view of customer needs).

Manitoba Hydro, because of its mandate "to provide for the continuance of a supply of power adequate for the needs of the province" and its reliance on hydroelectric power, which has very long planning, consultation, licensing and construction lead times, has been a major repository of long-term planning in Manitoba. It would be a shame to destroy what remains of this planning asset in an age that cries out for a more sustainable economy. The PUB should ask itself how it can regulate to enhance the long-term fiscal health and value of Manitoba Hydro and convene an appropriate process to that end. Such a process will undoubtedly involve more than a single workshop.

Appendix E – timing issues

Green Action Centre sympathizes with Manitoba Hydro's position that it is not possible to complete all required work prior to September 1 2018. We recognize the bind of (a) mandate to work efficiently and save costs with fewer staff, (b) added workload, and (c) a short two-year regulatory calendar (rather than 3 years allowed in legislation). Green Action Centre has long held the view that there ought to be time in the regulatory process for Manitoba Hydro and the Interveners to discuss issues and to arrive at proposed resolution of issues that can be put to the Board on a consensus basis. IT does not appear that this would be a possibility given the timelines ordered by the Board.

Appendix F – comments on recommendations

Green Action Centre agrees with the position of Manitoba Hydro that the deferral of $160 Million of Business Operations Capital is something that ought to be undertaken only with proper evidence before the Board. Green Action Centre is not able to determine the basis for this direction by the Board. As raised in paragraph 9 above (the GAC response to the Affordability Report) Green Action Centre takes the position that the Board must be careful that it does not low-ball Hydro's financial requirements.

Green Action Centre supports Manitoba Hydro's position regarding current and future DSM regimes based on Minister's approval of DSM programs. We agree that it is inappropriate to depart from the government sanctioned plan for DSM spending. The Board should fund what was approved by the Minister.

Conclusion

Green Action Centre urges the Board to reject the application with respect to the implementation of Bill Affordability and a First Nation on Reserve Residential Class. We accept that Manitoba Hydro has raised legitimate concerns regarding the Technical Conference on Minimum Equity, the timing issues and a number of the recommendations made by the Board.

Yours very truly,

**GANGE COLLINS HOLLOWAY**

**Per:**

**WILLIAM S. GANGE**
WSG