

PRE-HEARING CONFERENCE #1

MIPUG COMMENTS

The 14 members of MIPUG express their gratitude for the opportunity to address this Board and its new members with respect to the long-awaited General Rate Application by Manitoba Hydro.

The information and comments in MIPUG's intervener application form are quite extensive. I don't intend to repeat them in this morning's presentation.

As an association of large energy consumers accounting for nearly 20% of domestic energy sales, MIPUG has been participating in regulatory hearings for several decades.

The PUB provided prospective interveners with nine questions in its November 16th letter regarding Applications for Intervener Status and Pre-Hearing Conference.

The MIPUG Application for Intervener Status was filed on November 24th.

By letter dated November 30, 2022, Manitoba Hydro provided its comments to the various Intervener Applications filed with the Board. We will also address some of the comments raised by Manitoba Hydro with respect to MIPUG's Application.

Aside from the specific questions raised by the PUB in its November 16th letter, the PUB also requested feedback on the Applications for Status, Hearing Timetable, Scope, and Commercially Sensitive Information (per Rule 13).

I will now address the questions asked by the November 16th letter from the PUB:

a) How does MIPUG engage stakeholders in support of their intervention?

- MIPUG members are regularly updated on key matters associated with the Electric GRA application, including Manitoba Hydro requests, external factors such as the recent Government announcements (reducing MH fees), legislative initiatives (Bill

36) and reports, including the Government response to the Brad Wall recommendations, along with other matters that may influence the outcome of this hearing.

- MIPUG members have been provided with summaries of Manitoba Hydro's rate requests (filed with the initial application), Government announcements (made after the initial application filing) and Manitoba Hydro's resulting revisions to the initial application (addressing the implications of the Government announcement).
- Members have previously been informed of the implications associated with Bill 36 and the impact that it may have on Manitoba Hydro's rate requests, both present and future, addressing matters such as revenue requirements, rate projections, scope and authority of the PUB, impact of independence and transparency of rate regulation, etc.
- Members have been informed of MIPUG's Application for Intervener Status. The MIPUG Executive has been briefed on key points of priority for MIPUG's intervention.

- The Executive of MIPUG is consulted monthly to address important issues to the membership, including matters related to PUB processes.
- MIPUG will at times engage members of other industry associations, including the membership of the Canadian Manufacturers and Exports, which includes several MIPUG members.
- MIPUG will engage other parties with similar interests and priorities on matters relevant to this hearing.

b) How, and on what issues, is MIPUG planning to collaborate with other prospective interveners?

- MIPUG has a long history of working collaboratively and cooperatively with other parties to reduce duplication and cost for PUB reviews of MH rate applications.
- At the same time, it is noted that at times expert witness supporting these interventions may have different or competing views on certain matters, and as such interventions commenting on the same topics should not be viewed as “duplication”. A

recent example of Intervener experts testifying of similar matters is the recent Centra Gas COSS hearing at which the Koch independent expert and the Industrial Gas Users independent expert were both quoted by the PUB in its reasons because they each brought their unique perspective on similar issues.

- MIPUG's experts have a history of successful cooperation with the experts retained by GSS/GSM counsel and expert witnesses.
- MIPUG has engaged in discussion with CAC to discuss and to review opportunities for collaboration on key issues, including export markets, operating, maintenance and administrative expense, capital expense and prioritization, depreciation, load forecasting, etc.

c) What is MIPUG's initial position with respect to Manitoba Hydro's general rate application?

- MIPUG has retained independent experts who practice across Canada for a variety of different parties representing different rate classes and sectors. **Opinions and positions are developed based on the evidence proffered throughout the**

hearing. Initial positions are not fixed, and do not fully reflect the independent judgments that the experts will make upon review of the full record.

- MIPUG members seek rates that are cost-based, fair and reasonable, stable and predictable. MIPUG members are in favour of rates that are sufficient to ensure that Manitoba Hydro can provide safe and reliable service and make necessary reinvestments in the system, while also ensuring the utility is efficient in its spending and prudent in its management of risk.
- MIPUG also supports rates that are reflective of the system cost characteristics, using reasonably and properly vetted allocations derived from a cost of service study (to be filed with Phase 2 of the application) and which provide rate designs with options for customers to manage their power costs, and also system benefits in terms of opportunities to reduce the costs for Hydro to secure and deliver power.
- MIPUG members are concerned about continued projections for sustained 3.5% annual rate increases over the coming decade

as being potentially unsustainable for industry operating or locating in Manitoba.

- MIPUG members are encouraged by revisions to the Application (2.0% annual rate increases for 2023/24 and 2024/25) in response to recent Government announcements regarding fees for Water Rentals and Provincial Debt Guarantee but are awaiting details of those revisions to draw firm conclusions.
- MIPUG recognizes that the Hydro's filing indicates a fundamental and material shift in the balance of the power resource – lower export prices, lower import or purchase prices, higher domestic loads, lower system losses, increased Canadian exports, less value on firm export products, less use of firm export contracts, and greater reliance on short-term exports.
- This fundamental and material shift raises two critical issues:
 - i. Is this change in landscape, as portrayed in Hydro's latest forecasts, true and reasonable, or does it fail to reflect the best estimate or expectation of future conditions?
 - ii. If this fundamental change is true, is the Financial Forecast appropriately reflecting strategies that suit this landscape –

lower value of market energy, lower value of energy-focused new resources (lacking firm capacity provisions) including capital projects and demand-side management (DSM), greater focus on winter capacity, enhanced rate flexibility with price signals that track this change in value, alignment of Efficiency Manitoba spending estimates to an appropriate level of investment (which may be lower energy savings than previously assumed, but new initiatives on capacity), and a potential fundamental shift (reduction) in long-term risks faced by Hydro in the export market if both sale and purchase costs are now much lower than previously assumed.

- MIPUG is also attentive to the potential importance of assumptions in the load forecast, and the extent that the Financial Forecast may rely on uncertain and speculative load growth. Related concerns arise regarding the level of investment in sub-transmission and substations, load management options, etc.

- MIPUG also sees need to test the interim rate increase from 2021, in light of the substantive change in net income for 2022/23 from projections raised by Manitoba Hydro in the 2021/22 Interim Rate hearing.

d) What aspects of Manitoba Hydro's general rate application does MIPUG agree with, and why?

- Subject to receipt of complete information and assessment by its independent experts, MIPUG directionally agrees with the reduction in annual rate increases for 2023/24 and 2024/25 following the Government announcement of fee reductions applicable to the Crown Corporation for Water Power Rentals and Provincial Debt Guarantees.

e) What aspects of Manitoba Hydro's general rate application does MIPUG disagree with, and why?

- MIPUG refers to its Intervener Application for a list of Issues which warrant a review.

- Subject to receipt of complete information and assessment by its independent experts, MIPUG expects a need to critically assess the following topics. **It should be noted that the prospect of these assessments does not necessarily signal disagreement with Manitoba Hydro's position:**

- i. Export Markets/Revenues - Assessment of this topic is burdened with challenges regarding the treatment of information deemed to be "commercially sensitive" by Manitoba Hydro and its position that if any interveners are given access through a Board Order, it will seek to withdraw the CSI.
- ii. Linkages between financial projections in relation to the load forecast, demand-side management activities focused on energy (current government mandate), major decreases in the costs of purchases/imports, major reductions in revenues from exports, major changes in the balance of exports between contracted firm sales and opportunity sales, and proposed capital spending aimed at enhancing hydraulic capacity from existing infrastructure.

- iii. Depreciation, including both the proposal to adopt the ELG procedure, and the asset lives proposed in MFR 95.
- iv. Operating Performance, and linkages to salary costs for front-line workers. This is a key concern for MIPUG members in terms of the responsiveness of Hydro's front-line staff, and ongoing delays in receiving appropriate attention and service.
- v. Risk scenarios and how to understand the uncertainty inherent in the long term IFF, including drought, interest rate variability, and export prices.
- vi. Financial targets and performance against appropriate targets
- vii. Deferral Accounts
- viii. Capital spending
- ix. Phase II matters – unknown due to the delayed filing of information (scheduled for December 21st). **We recommend a process be established to provide Interveners to provide further comments on scope after the Phase II filing is received.** MIPUG expects

certain COSS and rate design matters will be of interest to it.

f) On what issues does MIPUG plan to provide expert evidence, and why?

- Please refer to the responses provided in (e)
- With respect to Manitoba Hydro's comments on expert evidence issues, we say MIPUG has always acted responsibly in assembling its team of experts and necessary support staff.
- Mr. Bowman's expertise in certain areas has been challenged in the past. Mr. Bowman has more recently performed expert work in depreciation. If Manitoba Hydro is willing to state for the record that they will not challenge Mr. Bowman's evidence as to the weight to be given to it as compared to the specialized depreciation experts retained by it, MIPUG may reconsider retaining the service of a specialized depreciation expert.
- Manitoba Hydro has also criticized the proposed use of Mr. Dale Friesen, who held positions at Manitoba Hydro and its

subsidiaries from 1992 to 2017. During that time as well as over the last 5 years Mr. Friesen has gained a useful relevant insight and perspective which we say enhances the information to be provided to the PUB for its consideration in this GRA – especially in his 7 year role as a Division Manager, Industrial & Commercial Solutions at Manitoba Hydro and including his contribution in Alberta Utilities Commission proceedings which give him an extra provincial utility perspective. Although Manitoba Hydro sees his technical expertise as (see p. 4 of 6 of its November 30th letter) overly broad and general, it seems to us that if that knowledge is relevant to the Board's tasks, it should be received as opposed to being excluded.

- As longer term members of this Board will have seen both with respect to Manitoba Hydro witnesses (who have extensive back room support) as well as with other expert witnesses, adequate support is required to provide quality evidence and information to this Board on the complex issues which it addresses.

g) How many rounds of information requests of Manitoba Hydro are requested in light of the minimum filing requirements (MFR)

provided by Manitoba Hydro? How many first-round information requests (including sub-parts) does the prospective intervener estimate it will ask?

- A material portion of this Application remains undefined (Phase 2) or in an uncertain state (Phase 1) due to the proposed schedule of this hearing and recent Government actions.
 - i. MIPUG awaits the revisions to the initial application (made in response to the Government announcement and instructions to MB Hydro) referenced in the Manitoba Hydro letter of November 29th. Revisions to the tabs, appendices, and MFR filings are unknown and not available for review or assessment.
 - ii. A significant portion of the MFR information will only be filed in Phase 2 (scheduled for filing on December 21st) of the application and is therefore not currently available for review and assessment.
- Limited access to commercially sensitive information may be problematic with respect to preparing information requests, and

increase the complexity of those requests to find a way to test the reasonableness of Hydro's forecasts. MIPUG is open to alternative approaches to address concerns regarding confidentiality while ensuring that a review of this commercially sensitive information is undertaken and shared generally (subject to reasonable concerns of confidentiality) to all interveners.

- Given the scope of issues and the prolonged period since the most recent comprehensive review of Manitoba Hydro rate applications (2017/18 GRA), two rounds of Information Requests are recommended. Noting the limited access to some information provided to-date (see notes above) it is estimated that Round 1 IRs will consist of 150 - 250 questions, including subparts, as is typical of MIPUG practice in previous comprehensive GRA reviews.
 - i. MIPUG's experience with major GRA processes is that two rounds of Information Requests are not only standard but necessary to support the most refined and efficient hearing process.

- ii. It is MIPUG's view that this approach saves costs at the hearing, as there will generally be fewer follow up questions that will need to be addressed during oral cross-examination, and intervener expert evidence can be based on firmer factual foundation.

h) What topics does MIPUG consider to be issues for the general rate application, and why?

- All matters within the jurisdiction of the PUB, focused on items in (e).
- MIPUG expects a reduced focus may be possible in some areas compared to recent reviews, such as the Debt Management Strategy and Interest Rate Forecasting, to the extent that future debt issuances are smaller than was the case in prior GRA and Interim Rate proceedings. However, given the scale of these costs in the revenue requirement, MIPUG considers it appropriate that they remain in scope for the proceeding.

i) What submissions, if any, does MIPUG have on the hearing schedule for the general rate application?

- MIPUG proposes some relaxation in the deadline for submission of Phase 2 Information Requests (e.g., 1 week) due to the later filing of Phase 2 information (December 21st) and overlap with the Holiday Season. (See previous comment on Phase II scoping.)
- Intervener Evidence is presently due April 3rd, which is poorly timed for the Manitoba school calendar. Interveners could use a few extra days and would likely be willing to give up a few days to respond to Information Requests on intervener evidence (an adjustment to the schedule that would provide less than two weeks for responding to Information Requests would be appropriate, to permit a modest extension to the date for filing Intervener Evidence).

Response to MB Hydro Letter of November 30th commenting on Applications for Intervener Status

Manitoba Hydro is in receipt of Manitoba Hydro's comments on Applications for Intervener Status filed on November 30th, 2022.

- a) MIPUG recognizes Manitoba Hydro's acceptance of its Application for Intervener Status
- b) MIPUG has reviewed Manitoba Hydro's expressed concerns regarding duplication of effort between and among interveners, and general and broad retainers of work to be performed.
 - MIPUG notes that the current Application filed on November 15th is incomplete, and subject to revisions (Phase 1 filing) arising from recent Government announcements, and later filing of Phase 2 information, including MFR information related to COSS, alternative rates, and other matters material to this GRA review.
 - i. Subsequent review of this information, once available, along with discussion amongst interveners will dictate the

scope and tasks each consultant will be retained to perform.

- ii. At times expert witnesses and consultants referenced in Applications for Intervener Status may have different or competing views on certain matters, and as such interventions commenting on the same topics should not be viewed as “duplication”.

c) In respect of Manitoba Hydro’s comments on the proposed intervention by the Consumers Association of Canada (CAC) and its references to Manitoba Hydro’s Strategy 2040, its forthcoming Integrated Resource Plan (IRP) and Manitoba Government’s pending Energy Policy Framework.

- MIPUG supports the ongoing engagement process in respect to these activities and supports the related work to continue and evolve in an open, candid and without prejudice forum.
- It should be noted however, that Manitoba Hydro has not provided a long-term Integrated Financial Forecast in about six years. The activities raised by the CAC Application are important contributors to the preparation of a long-term IFF.

- It is reasonable to suggest that the uncertainties and inherent risks associated with these activities should be canvassed in this GRA process, as they influence assumptions about key inputs into the IFF. It is the view of MIPUG that these uncertainties and risks can be addressed with alternate scenarios to the IFF.
- Following this approach will contribute to, rather than impede, Manitoba Hydro's efforts to effectively plan and respond to the changing landscape and its impacts on customers.
- MIPUG therefore encourages the Board to carefully weigh the importance of exploring alternate scenarios in respect of factors raised by Strategy 2040 and the IRP process, including potential outcomes of the Energy Policy Framework under review by Government.

d) In respect of Manitoba Hydro's comments on MIPUG's Application for Intervener Status

- **Additional Consultant (unnamed) on Depreciation** – MIPUG has been in contact with Patricia Lee, who appeared before this Board in the proceeding leading to the current directives re: ASL/ELG. Ms. Lee is a nationally recognized and often-cited

depreciation expert who spent most of her career with the Florida Public Service, and as such is highly credentialled to provide unique insight to the Board. Manitoba Hydro has previously taken issue with Mr. Bowman's commentary on depreciation matters, given he does not specifically specialize in depreciation studies. MIPUG is concerned about the risk of having Hydro argue regarding the relative weight related to expertise while also arguing for prevention of MIPUG bringing Patricia Lee. Mr. Bowman and Ms. Lee have worked together for almost 15 years in many jurisdictions, and are well able to ensure an efficient and focused submission on depreciation-related matters. MIPUG wishes to ensure that the PUB is provided with the best available information. Having previously testified in Manitoba on depreciation in response to Manitoba Hydro experts, Ms. Lee already has a solid foundation on which she can build to provide her evidence.

- **Perceived Conflict of Interest** - regarding Manitoba Hydro's comments regarding Mr. Friesen's role with MIPUG and its

perception that Mr. Friesen is in a conflict of interest. It should be clearly noted that:

- i. Mr. Friesen is neither an employee of MIPUG or limited by the thoughts and perspectives of the MIPUG members. He acts as an independent expert at the discretion of the Board, seeking to advance the Board's knowledge and understanding on topics before the Board.
- ii. The Board has routinely indicated that receiving detailed information on the customer perspective, from experts, is a key part of the Board's inputs.
- iii. Mr. Friesen's expertise is sought by MIPUG due to his ability to provide an independent and learned assessment of matters important to the MIPUG members, including matters related to rates, rate setting, load forecasts, demand-side management, customer service, emerging energy technologies (and related technical and economic considerations), cost of service allocations, and other related matters.

- iv. Mr. Friesen has extensive experience in the utility environment and is well-versed in the priorities of General Service Large customers (including both commercial and industrial sector participants). His experience includes the provision of inputs and review for matters and topics under consideration for this GRA hearing, which materially impact key inputs into the development of rates and financial projections.

- v. Further, the Board will be aware that Mr. Friesen is judicious with his time allocation, and MIPUG will only call evidence (from any of the experts) to the extent that such evidence brings perspectives that are necessary to establish MIPUG's case. The Board will be aware that Mr. Friesen was slated to provide evidence in the Centra Gas Cost of Service hearing, but ultimately the intervener determined that his role was not required to extend to providing evidence to ensure the industrial case was fully presented.

- **Mr. Joshua Dyck** - is a researcher and analyst with InterGroup Consultants. Joshua will support research and analysis undertaken by Mr. Bowman, Mr. Friesen, and Mr. Crozier, throughout this proceeding, and provide support to Mr. Hacault. Absent research and file management support from such resources, higher cost resources would be required to fulfill this function.

- **Confidential Information** – MIPUG notes that the information deemed confidential by Manitoba Hydro is critical to an evaluation of the influence that the export/import market has in Manitoba Hydro's integrated financial forecast (IFF). MIPUG has normally been restrained in its demands for confidential information, particularly in respect of electrical export markets. However, at this time, asserted changes in the export market are central to many of the changes in the current IFF compared to past projections.
 - i. The changes in revenues and potential source of those revenues, along with the construct of Manitoba Hydro engagement with the export/import markets are

fundamental to this GRA application, significantly impacting prospective risks and rate increases (and potential changes to rate designs) that ratepayers will experience in the test years and in the coming years.

- ii. In the absence of direct access to this information, MIPUG seeks means to ensure that the analysis and findings of a review of this information are not withheld from Interveners.
- iii. MIPUG finds it concerning that Manitoba Hydro would seek to withhold this information from the Board, as stated in its application filing, as the Board seeks to resolve a matter that is material to this GRA review.
- iv. The name of this Board – The **Public** Utilities Board of Manitoba and the required public transparent nature of regulation in this Province call out for a solution which reassures the **public** that there has been a proper thorough vetting of information on which just and reasonable rates are set. Given Manitoba Hydro's position that relevant key information produced in

answering **Minimum Filing Requirements** will be withdrawn should the PUB exercise any form of discretion to allow others to see CSI irrespective of what protections are put in place and irrespective of whether limited third parties (e.g. lawyers and experts but not interveners) the PUB is not left with many practical options.

- v. If the PUB decides to engage the services of an Independent Expert, we recommend that Intervener input be sought on the scope of the retainer and nature and extent of expertise of those experts. A longer-term solution may be to amend its rules. If the information is important enough to make the “Minimum Filing Requirement” then it is as important to ensure that this information can’t unilaterally be withdrawn and not be properly tested. Unfortunately a full vetting of options while still preserving the schedule of this hearing may not be achievable.

MIPUG thanks the Board for having provided it the opportunity to make these comments.