

Order No. 1/19

**PROCEDURAL ORDER IN RESPECT OF MANITOBA HYDRO'S
2019/20 GENERAL RATE APPLICATION**

January 2, 2019

BEFORE: Robert Gabor, Q.C., Chair
Marilyn Kapitany, B.Sc., (Hon), M.Sc., Vice-Chair
Hugh Grant, Ph.D., Member
Shawn McCutcheon, Member
Larry Ring, Q.C., Member

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1.0 Executive Summary

The mandate of the Public Utilities Board (“Board”) is to set just and reasonable rates for Manitoba Hydro (or the “Utility”) that are in the public interest, through balancing the impacts of rate increases on ratepayers with the financial health of the Utility.

Following the Board’s acceptance of Manitoba Hydro’s filing of its 2019/20 General Rate Application (“GRA”), the Board held a Pre-Hearing Conference. The purposes of the Pre-Hearing Conference were to:

- a. identify and approve appropriate Interveners who are to assist the Board in the hearing of the GRA;
- b. identify the issues that are included in the scope of the hearing; and
- c. finalize a process and timetable for the orderly exchange of evidence and the conduct of the hearing.

The Board received written applications for Intervener status prior to the Pre-Hearing Conference from the following:

1. Assembly of Manitoba Chiefs
2. Consumers Coalition (consisting of the Consumers’ Association of Canada (Manitoba) and Winnipeg Harvest)
3. Manitoba Industrial Power Users Group

The Board continues to receive applications for Intervener status and will consider such applications in accordance with the Board’s Rules of Practice and Procedure if received by the deadline of January 7, 2019. Members of the public who wish to give an oral public presentation can do so by registering with the Board prior to the deadline of March 29, 2019.

By this Order, the Board approves the Applications to Intervene by Assembly of Manitoba Chiefs, Consumers Coalition, and Manitoba Industrial Power Users Group, subject to working within the scope of issues that is approved by the Board. Approved Interveners

are now required, within 10 days of the issuance of this Order, to prepare and file their detailed cost estimates with the Board for review and comment by Board staff, pursuant to the process set out in the Board's Intervener Cost Policy.

Subject to the exceptions detailed in this Order, the Board approves the issues as enumerated in the list attached to this Order as Appendix "A" as being in scope for the hearing of this GRA.

A timetable for the process steps is also approved and attached to this Order as Appendix "B".

2.0 Procedural History

On November 12, 2018, Manitoba Hydro filed with the Board a letter advising of the Utility's intentions with respect to the filing of a 2019/20 GRA. Manitoba Hydro informed the Board that the Utility is not presently in a position to submit a long-term financial forecast ("Integrated Financial Forecast or IFF") for review by the Board, but that Manitoba Hydro was seeking to file a rate application for a final rate increase based on 2017/18 actual information, the Utility's 2018/19 outlook, and the Utility's 2019/20 budget information. In the November 12, 2018 letter, Manitoba Hydro proposed a streamlined GRA process for a rate increase effective April 1, 2019.

The Board circulated Manitoba Hydro's November 12, 2018 letter to Past Interveners of Record for comment. The Board received comments from Assembly of Manitoba Chiefs, Consumers Coalition, Green Action Centre, and Manitoba Industrial Power Users Group. Following consideration of Manitoba Hydro's letter and the comments from Past Interveners of Record, the Board advised that it would be willing to consider a one-year rate increase application based on financial information for the 2017/18, 2018/19 and 2019/20 fiscal years, and without a long-term financial forecast from Manitoba Hydro. The Board also advised that the scope of the issues in the review process could only be determined following the filing of the Utility's Application.

On November 30, 2018, Manitoba Hydro filed its 2019/20 GRA, seeking a rate increase of 3.5% for all components of the rates of all customer classes, to be effective April 1, 2019. This rate increase is projected to generate additional revenues in the 2019/20 fiscal year of \$59 million.

On December 13, 2018, following the receipt of additional information filed by Manitoba Hydro and pursuant to the process established by the Board in correspondence of September 18, 2018, the Board issued a declaration of completion. This declared that the filing included all routine, standard, and/or base information as determined on a review conducted by Board staff and advisors. The GRA was therefore accepted for filing by the Board.

On December 13 and 14, 2018, prospective Interveners filed their written Intervener Applications with the Board.

Also on December 14, 2018, the Board circulated its Information Requests of Manitoba Hydro.

On December 19, 2018, the Board conducted a Pre-Hearing Conference with Manitoba Hydro and prospective Interveners. Counsel for Manitoba Keewatinowi Okimakanak (“MKO”) attended on a watching brief, but expressed the intention of MKO to file a written application for Intervener Status.

At the Pre-Hearing Conference, the prospective Interveners provided submissions on their Applications for Intervention, indicated issues of primary consideration in the hearing of the GRA, and identified possible witnesses for their proposed interventions. The Board also heard submissions from Manitoba Hydro respecting the Applications for Intervener status, as well as providing an overview of the GRA filing. All parties gave submissions respecting the scope of the GRA process and the issues to be canvassed during the GRA. Finally, the Board considered a timetable for the orderly exchange of evidence and hearing of the GRA.

3.0 Submissions Regarding Intervener Participation, Hearing Process, and Scope of Review

Assembly of Manitoba Chiefs

Assembly of Manitoba Chiefs is the political, advocacy, and technical coordinating body that represents 62 of 63 First Nations in Manitoba, made up of approximately 130,000 people. As an Intervener in Board proceedings, Assembly of Manitoba Chiefs represents electric residential and general service ratepayers.

If granted Intervener status, Assembly of Manitoba Chiefs intends to address the following key issues in the proceeding:

1. Whether Manitoba Hydro's requested rate increase is just and reasonable,
2. Whether Manitoba Hydro has demonstrated a revenue requirement that justifies the requested rate increase, and
3. Appropriate rate design and bill affordability considerations in light of the energy poverty faced by First Nations residents on reserve, including consideration of Manitoba Hydro's consultations with ratepayers about the requested rate increase, and the impact of the proposed rate increase on consumers generally and First Nations consumers in particular.

Assembly of Manitoba Chiefs is proposing to use Philip Raphals, Executive Director of the Helios Centre, as a consultant in this proceeding. At the Pre-Hearing Conference, Assembly of Manitoba Chiefs submitted that approved Interveners should have the opportunity to ask two rounds of Information Requests of Manitoba Hydro, as well as the ability to submit written submissions. Assembly of Manitoba Chiefs also does not object to an oral hearing that includes cross-examination.

Assembly of Manitoba Chiefs states that it will actively participate in the GRA proceeding, and will also work with other approved Interveners – including MKO if MKO is granted Intervener Status – to avoid duplication.

Assembly of Manitoba Chiefs intends to request an award of costs for its participation in the GRA proceeding, and provided an initial draft cost estimate as part of its Application for Intervener Status. If granted Intervener Status, Assembly of Manitoba Chiefs advised that it would submit a revised detailed cost estimate, taking into account the scope of the hearing and the process steps.

Consumers Coalition

The Consumers Coalition is formed by Winnipeg Harvest and the Manitoba Branch of the Consumers' Coalition of Canada. The Consumers Coalition seeks to present an evidence-based intervention guided by a principled consideration of the interests of all Manitoba residential consumers. This prospective Intervener has extensive involvement in regulatory proceedings before the Board.

Winnipeg Harvest is a non-profit, community-based organization committed to providing food to people who struggle to feed themselves and their families. It shares food with more than 50 Manitoba communities and provides emergency food assistance to almost 64,000 people a month across Manitoba.

The Manitoba Branch of the Consumers' Association of Canada is a volunteer, non-profit, independent organization working to inform and empower consumers, and to represent the consumer interest in Manitoba. It is a branch of the national Consumers' Association of Canada.

The Consumers Coalition seeks to protect the interests of Manitoba Hydro residential ratepayers and their right to just, reasonable, and sustainable rates that are determined in a publicly accessible and transparent process.

The Consumers Coalition submits that it represents a substantial number of ratepayers in the proceeding – specifically the over 400,000 customers that make up Manitoba Hydro's Residential customer class, has long-standing experience with matters relating to rate-setting, and has actively participated in a number of regulatory proceedings.

In its Application for Intervener Status, the Consumers Coalition identifies its intention to intervene to test Manitoba Hydro's request for a 3.5% rate increase in fiscal year 2019/20, through examining the reliability of Manitoba Hydro's forecasts, whether actual and projected costs are necessary and reasonable, assessing the reasonable revenue of the Utility in the context of its overall general health, questioning whether an across-the board rate increase is the appropriate allocation of costs between classes, and exploring whether Manitoba Hydro has assessed the broader effects of rate increases on consumers.

The Consumers Coalition states that it intends to participate fully and actively in the GRA proceeding. It requests the right to ask Information Requests of Manitoba Hydro and to file evidence. The Consumers Coalition has identified as expert witnesses and consultants William Harper, Darren Rainkie, and Kelly Derksen. In its submissions at the Pre-Hearing Conference, the Consumers Coalition presented its proposed timetable for the exchange of evidence and hearing process.

The Consumers Coalition intends to request an award of costs for its participation in the GRA proceeding.

Manitoba Industrial Power Users Group

Manitoba Industrial Power Users Group is an association of companies who are substantial users of power in the General Service Large rate classes, including all three subclasses. Collectively, these customer classes purchase approximately 8,000 GWh of power annually, totalling approximately 35% of Manitoba Hydro's domestic energy sales. Manitoba Industrial Power Users Group also actively engages with other non-member industrial stakeholders and associations. Its intervention in proceedings before the Board over the last thirty years has always represented the interests of industrial power users and provincial competitiveness broadly and generally.

If granted Intervener Status in the GRA, Manitoba Industrial Power Users Group will focus on financial and economic cost considerations for the short term and forecast accuracy

of Manitoba Hydro's application. This prospective Intervener also intends to review cost of service based rate-setting considerations.

Manitoba Industrial Power Users Group submits that it will participate actively in the proceedings, and that it will also collaborate with other Interveners to avoid duplication. It requests the opportunity to ask Information Requests of Manitoba Hydro and to file evidence from its identified expert witness, Patrick Bowman of InterGroup. Manitoba Industrial Power Users Group further submits that the Board should schedule a focused oral hearing with cross-examination on key issues. In this regard, Manitoba Industrial Power Users Group proposes that a second Pre-Hearing Conference be held to identify key issues to be the subject of cross-examination at an oral hearing, and issues that can be dealt with by way of written submissions. Manitoba Industrial Power Users Group also argues that Manitoba Hydro should be required to present its final submissions first, followed by the final submissions of approved Interveners.

This prospective Intervener intends to request an award of costs for participation. It submits that it will meet the eligibility criteria for costs contained in the Intervener Cost Policy for Manitoba Hydro's 2019/20 GRA, noting that its interests are not solely related to members' business interests. Rather, Manitoba Industrial Power Users Group states that it is interested in ensuring the long-term sustainment of all Manitoba industry and ratepayers generally, and balancing effects on the Manitoba economy, in both the short- and long-term.

Manitoba Hydro

Manitoba Hydro does not object to the proposed interventions of Assembly of Manitoba Chiefs, Consumers Coalition, and Manitoba Industrial Power Users Group. Manitoba Hydro also states that it does not object to Assembly of Manitoba Chiefs retaining Mr. Raphals as a consultant or to Manitoba Industrial Power Users Group retaining InterGroup. Manitoba Hydro does encourage Assembly of Manitoba Chiefs and MKO to consider a joint intervention.

Manitoba Hydro objects to the Consumers Coalition retaining the services of three experts and expresses concern that there is overlap between the expertise and involvement of the three proposed experts. Manitoba Hydro submits that one consultant is sufficient to assist the Consumers Coalition in its intervention, and that the consultant should be either Mr. Rainkie or Mr. Harper.

Manitoba Hydro requests that the Board direct all Interveners to avoid duplication in their interventions.

Manitoba Hydro argues that the process for the review of the GRA should reflect the Application, which is for a one-year rate increase and is limited to the financial information filed by Manitoba Hydro. Further, the Utility submits that the scope of the issues to be considered should be significantly narrower than a typical GRA. In the submission of Manitoba Hydro, certain issues, including bill affordability considerations, should not be in scope for this GRA hearing.

It is Manitoba Hydro's position that Intervener participation should be limited to written submissions, and should not include the opportunity to ask Information Requests or to file evidence. Manitoba Hydro also submits that there should not be an oral hearing, and that Intervener final submissions should precede the Utility's final submissions. At the Pre-Hearing Conference, Manitoba Hydro also provided its comments on the timetable for the process steps in the GRA.

4.0 Board Findings

Intervener Status and Intervener Costs

The Board approves the participation of Interveners in order to assist the Board in its understanding of the issues that are determined to be within the scope of the GRA. Approved Interveners are required to actively participate in the hearing process. Interveners are also required to avoid duplication, and are to collaborate among themselves in the development of their scope of work for the issues on which they are

approved. Failure to avoid duplication or to participate actively will have cost consequences.

The Board has considered the Intervener Applications that were submitted in advance of the Pre-Hearing Conference. Subject to the condition that Interveners are to work within the scope of issues approved by the Board, as enumerated at Appendix “A” of this Order, the Board approves separate Intervener status for each of Assembly of Manitoba Chiefs, Consumers Coalition, and Manitoba Industrial Power Users Group.

Within 10 days of the issuance of this Order, approved Interveners are to submit their detailed cost estimates for their intervention, including their consultants and expert witnesses, using the cost estimate spreadsheet available on the Board’s website. Cost estimates that are incomplete or prepared improperly will be returned to the Intervener.

The Board is prepared to receive and consider applications for cost awards from Assembly of Manitoba Chiefs, Consumers Coalition, and Manitoba Industrial Power Users Group. Subject to the Board’s full discretion over cost awards and the eligibility requirements relating to hearing participation, the Board finds that the Interveners approved by this Order meet the eligibility criteria for cost awards.

Cost estimates and applications for cost awards must be prepared in accordance with the Board’s Intervener Costs Policy for Manitoba Hydro’s 2019/20 GRA. As indicated during the Pre-Hearing Conference, Interveners are to use the fillable Excel spreadsheet available on the Board’s website for preparing and filing cost estimates and applications for cost awards. The filing of Intervener cost estimates does not guarantee or disqualify an Intervener from eligibility for a cost award. Any comments provided by Board staff on Intervener cost estimates are not binding on the Intervener or the Board. All cost awards, whether an Advance of Funds or a final costs award, are in the sole discretion of the Board and all applications for cost awards will be considered by the Board in accordance with the criteria set out in Section 3.0 of the Intervener Costs Policy. Should any approved Intervener seeking an award of costs determine that its scope of participation in the proceeding or its final cost application will deviate or differ materially from its cost

estimate, the Intervener is to notify the Board forthwith. Unless there are exceptional circumstances, Interveners will not be approved for such deviations or differences without the required prior written notification of the Board.

The Board will continue to accept Applications for Intervener Status until the January 7, 2019 deadline established by the Board.

Scope of the Hearing

The Board has considered the positions of the approved Interveners and Manitoba Hydro on which issues are within the scope of this hearing. The Issues List chart attached to this Order as Appendix A enumerates the issues that are in scope.

The Board has concluded that, except as identified below, and subject to the Board's directions as to collaboration and non-duplication, each Intervener is approved to participate on the issues it has identified as relevant and within scope as indicated in the Issues List.

For greater clarity and specificity, the following issues are not in scope for the review of the GRA:

- New or different bill affordability mechanisms or programs;
- Review of 10 years of historical Operating and Administrative expense data;
- The results of an independent assessment of Manitoba Hydro's asset management program;
- Manitoba Hydro's study of the Service Drop allocator and Common Costs;
- The development of a time-of-use rate design proposal;
- The finalization of interim diesel zone rates;
- The Solar Energy Program and other net metering installations; and
- Manitoba Hydro's long-term financial forecast and financial plan.

Hearing Process and Timetable

Intervener applicants and Manitoba Hydro were given the opportunity to provide submissions on the appropriate hearing process and timetable for the review of the GRA.

The Board finds that fairness requires that Interveners have the right to participate in the testing of Manitoba Hydro's evidence and in presenting evidence on the issues within the scope of this GRA. While Manitoba Hydro's process submissions relied on the fact that the GRA is limited to a rate increase in one year, the rate request is for a final 3.5% rate increase that is projected to collect from Manitoba consumers an additional \$59 million in revenue in each year going forward. Although the information on which the GRA is based is unique given the absence of a long-term financial forecast, this does not change the significant interests of the approved Interveners in the outcome. The participation of Interveners in evidentiary steps in the process will also assist the Board, as this participation contributes to a robust, transparent, and evidence-based decision-making process. Decisions on the process for an oral evidentiary hearing and final submissions will be made after the filing of Intervener evidence.

Intervener Information Requests shall be limited to issues not raised in Information Requests asked December 14, 2018 by the Board or to follow up on Manitoba Hydro's responses to the Board's Information Requests. Manitoba Hydro retains the ability to challenge Intervener Information Requests as being irrelevant or out of scope. Similarly, where an Intervener takes the position that Manitoba Hydro has not properly responded to an Information Request, the Intervener can raise this as an issue before the Board. The Board shall determine the process to address any challenges. However, the Board encourages all parties to work together informally to resolve issues arising from Information Requests and Responses to Information Requests, before bringing matters formally before the Board for resolution.

In addition to seeking Intervener status, members of the public are able to provide comments on Manitoba Hydro's Application through the public presentation process. Presentations may be made in writing through submitting comments on the Board's

website, as well as in person through registering with the Board to give an oral public presentation. The deadline to register for oral public presentations is March 29, 2019.

Based on the submissions of all parties at the Pre-Hearing Conference, the Board has established the timetable for Manitoba Hydro's GRA as contained in Appendix "B" to this Order.

5.0 IT IS THEREFORE ORDERED THAT:

1. Intervener status for Manitoba Hydro's 2019/20 General Rate Application BE AND HEREBY IS APPROVED FOR:
 - a. Assembly of Manitoba Chiefs;
 - b. Consumers Coalition (Consumers' Association of Canada (Manitoba)/Winnipeg Harvest);
 - c. Manitoba Industrial Power Users Group.
2. The issues contained in Appendix "A" to this Order are considered within the scope of this General Rate Application, except as directed by the Board in this Order.
3. The Timetable for the orderly review of the General Rate Application is attached to this Order as Appendix "B".

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

THE PUBLIC UTILITIES BOARD

"Robert Gabor, Q.C."
Chair

"Darren Christle"
Secretary

Certified a true copy of Order No. 1/19
issued by The Public Utilities Board


Secretary

Appendix A: In-Scope Issues

Issue	Consumers Coalition	AMC	MIPUG
1. Rate Increase Requested			
Final Approval of 3.5% Increase	Yes	Yes	Yes
Implementation Date (Requested = April 1, 2019)	Yes	Yes	Yes
2. Consultations with Ratepayers and Rate Impacts			
MH Ratepayer Consultation Processes	Yes	Yes	Yes
Impact of increase on consumers	Yes	Yes	Yes
Rate impacts - Bill affordability mechanism for First Nations On Reserve Residential customer class	No	Yes	No
3. Cash Flow			
Adequacy of cash flow from operations	Yes	No	Yes
Presentation methodology	Yes	No	Yes
Accounting of capitalized interest on cash flow statement	Yes	No	Yes
4. Interest Rate Forecast			
	Yes	No	Yes

Issue	Consumers Coalition	AMC	MIPUG
5. Finance Expense and Debt Management Strategy Changes Since Order 59/18			
	Yes	No	Yes
6. Depreciation Expense (Revenue Requirement) Changes Since Order 59/18			
	Yes	No	Yes
7. OM&A Update Since Order 59/18			
Budget and actual O&A results	Yes	No	Yes
Implementation of VDP, including pension liability, staffing complement, VDP expenditures and savings achieved	Yes	Yes	Yes
Supply Chain Management	Yes	Yes	No
Position reductions through attrition	Yes	Yes	Yes
8. Regulatory Deferral Accounts			
Disposition of DSM Deferral Account	Yes	No	Yes
Bipole III – Contributions and Drawdowns	Yes	No	No
Order 59/18 Directives 17, 19, 21, 22 and 23	Yes	No	Yes
9. Payments to Government			
Test year payments to government	Yes	No	Yes

Issue	Consumers Coalition	AMC	MIPUG
Payments to government amounts in test year for major capital projects	Yes	No	Yes
10. Export Revenue Forecast			
Energy Price Forecast in test year	Yes	Yes	Yes
Actual export revenues	Yes	Yes	Yes
11. Load Forecast and Hydrology			
	Yes	No	Yes
12. Major New Capital			
Revenue Requirement update since Order 59/18	Yes	No	Yes
Order 59/18 Recommendations to Manitoba Hydro	Yes	No	No
13. Business Operations Capital			
Update since Order 59/18	Yes	No	Yes
Order 59/18 Recommendation to Manitoba Hydro	Yes	No	Yes
14. DSM Spending			
Spending and savings in the test year	Yes	Yes	Yes
Assumptions in the forecast for the test year	Yes	Yes	Yes

Issue	Consumers Coalition	AMC	MIPUG
Order 59/18 Recommendations to Manitoba Hydro	Yes	Yes	Yes
15. Cost of Service, Differentiated Rates and Order 59/18 Directive 5			
Movement of classes into zone of reasonableness, including impact of Bipole III in service	Yes	No	Yes
Implementation of Order 59/18 Directive 5	Yes	No	Yes
Output of the Cost of Service Study (PCOSS18)	Yes	No	Yes
Implementation of Order 59/18 Directives 24 and 25	Yes	No	Yes
16. Declining Block General Service Rates			
Order 59/18 Directive 28	No	No	No
17. Implementation of First Nations Residential On-Reserve Customer Class			
Order 59/18 Directive 6	No	Yes	No
2019/20 Rate Increase for this Customer Class	No	Yes	No

Appendix B: Timetable for Orderly Review

Item	Date
Public Utilities Board IR Questions	December 14, 2018
Deadline for Intervener Applications	January 7, 2019
Manitoba Hydro Commercially Sensitive Responses to Board IRs	January 28, 2019
Manitoba Hydro Responses to Board IRs	January 31, 2019
Intervener IR Questions	February 8, 2019
Manitoba Hydro Responses to Intervener IRs	February 28, 2019
Intervener Evidence	March 13, 2019
Second Pre-Hearing Conference	March 20, 2019
IRs on Intervener Evidence	March 26, 2019
Deadline to Register for Oral Public Presentations	March 29, 2019
Intervener Responses to IRs	April 3, 2019
Manitoba Hydro Rebuttal Evidence	April 11, 2019
Oral Evidentiary Hearing (If Necessary)	April 23, 2019 – April 26, 2019
Oral Public Presentations	TBD
Oral Final Submissions (If Necessary)	May 1, 2019 – May 3, 2019