

**Order No. 70/22**

**Order Varying Directive #9 in Board Order 69/19 Respecting Manitoba Hydro's  
Financial Targets and Reserves**

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**July 5, 2022**

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

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## 1.0 Executive Summary

By this Order, the Public Utilities Board varies Directive #9 in Board Order 69/19 by canceling a technical conference to consider Manitoba Hydro's financial targets and reserves. Rather than a technical conference, Manitoba Hydro is to include in its November 15, 2022, General Rate Application, Manitoba Hydro's proposed financial targets together with all underlying assumptions, including financial metrics, in each of the long-term financial scenarios presented.

## 2.0 Overview

### Background

On the contested issue of Manitoba Hydro's financial ratios and reserves in Board Order 69/19 (pages 29-30), the Board Findings included the following:

*“ Manitoba Hydro testified that the new MHEB is currently undertaking a comprehensive review of the Utility's operations, forecasts, and financial plans to enable it to establish, first, a new Corporate Strategic Plan and, second, a new long-term financial plan for Manitoba Hydro. Included in that review and planning process is consideration for meetings with stakeholders. The Board sees an opportunity for Manitoba Hydro to meet with regulatory stakeholders to further understandings of the financial reserves required for the Utility and to be considered in rate setting. As such, prior to the MHEB's development of a new Corporate Strategic Plan and long-term financial plan, there should be engagement by Manitoba Hydro with stakeholders and the Board.*

*In an effort to assist the MHEB, the Board repeats its views from Order 59/18 that:*

*...there is merit to gaining better understanding of the financial reserves required for Manitoba Hydro under various circumstances. This would include consideration of risk tolerances, what risks should be protected by reserves, and the circumstances which would guide the need for more aggressive rate increases to continue full cost recovery for Manitoba Hydro. The Board is mindful that the financing and depreciation expenses related to these new major capital assets entering service already require additional revenues from rate increases. Consideration of the appropriate level of financial reserves, for example a minimum retained earnings test, is best done through a collaborative approach with stakeholders.*

*The Board finds there is merit in a collaborative process as envisioned by the Board in Order 59/18. The Board directs Manitoba Hydro to participate in a technical conference hosted by Board staff or an external consultant appointed by the Board for the consideration of the use of rule-based regulation to provide guidance in the setting of consumer rates and of the question of the role and sufficiency of reserves in Manitoba Hydro's operations and the Board's rate regulation of the Utility. Board staff will invite Manitoba Hydro to a planning meeting to review and revise the draft scope of this technical conference before circulation for Intervener comments."*

In Order 69/19 the Board included a Directive with respect to this issue.

### **Directive #9 in Order 69/19**

*9. Manitoba Hydro participate in a technical conference hosted by Board staff or an external consultant appointed by the Board for the consideration of the use of rule-based regulation to provide guidance in the setting of consumer rates and of the question of the role and sufficiency of reserves in Manitoba Hydro's operations and the Board's rate regulation of the Utility.*

### **Manitoba Hydro's Request**

In its May 13, 2022 communication, Manitoba Hydro requests that Directive 9 in Board Order 69/19 be set aside, as Bill 36 includes debt-to-capitalization targets to be used for rate-setting.

### **Board May Vary Directive #9 in Order 69/19**

Pursuant to subsection 44(3) of *The Public Utilities Board Act*:

*44(3) The board may review, rescind, change, alter, or vary any decision or order made by it.*

The Board and past Interveners have been advised that Manitoba Hydro intends to file a General Rate Application no later than November 15, 2022, in which it will seek to finalize the interim rate increase granted by the Board on January 1, 2022, and to seek rate increases effective April 1, 2023, and April 1, 2024.

Bill 36 does not change the existing law in Manitoba until it is passed and the provisions are either proclaimed or receive royal assent. If enacted, the proposed transition

provisions in s.65 of Bill 36 would not apply to the determination of electricity rates for any period ending before April 1, 2025.

Current legislation in *The Crown Corporations Governance and Accountability Act*, *The Manitoba Hydro Act*, and *The Public Utilities Board Act* continue to apply to the determination of electricity rates for periods before April 1, 2025.

### **3.0 Board Findings**

The Board finds that current legislation will continue to apply to the determination of electricity rates for the 2021/22, 2023/24 and 2024/25 fiscal years in Manitoba Hydro's planned General Rate Application to be filed by November 15, 2022.

The Board finds that the technical conference approach envisioned in Order 69/19 may no longer be achievable due to Manitoba Hydro's time constraints in view of the General Rate Application to be filed by November 15, 2022.

The Board, therefore, does not set aside Directive #9 in Order 69/19 but varies it to direct Manitoba Hydro to include in its November 15, 2022, General Rate Application, Manitoba Hydro's proposed financial targets together with all underlying assumptions, including financial metrics, in each of the long-term financial scenarios presented.

The Board and Interveners, as part of the minimum filing requirements and information request process, may request limited additional long-term financial scenarios based on different assumptions. These additional long-term financial scenarios are to be provided either directly by Manitoba Hydro or through an electronic model provided by Manitoba Hydro.

#### 4.0 IT IS THEREFORE ORDERED THAT:

1. Directive #9 in Order 69/19 BE AND IS HEREBY VARIED as the Board now directs Manitoba Hydro to include in its November 15, 2022, General Rate Application, Manitoba Hydro's proposed financial targets together with all underlying assumptions, including financial metrics, in each of the long-term financial scenarios presented.

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.pubmanitoba.ca](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

"Robert Gabor"

Chair

"Rachel McMillin, B.Sc."

Associate Secretary

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issued by The Public Utilities Board



Associate Secretary