MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA HYDRO

2017/18 and 2018/19

GENERAL RATE APPLICATION

PUBLIC HEARING

Before Board Panel:

Robert Gabor	-	Board Chairperson
Marilyn Kapitany	-	Vice-Chairperson
Larry Ring, QC	-	Board Member
Shawn McCutcheon	-	Board Member
Sharon McKay	-	Board Member
Hugh Grant	-	Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

February 5th, 2018

Pages 7795 to 7910

APPEARANCES

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Odette Fernandes	)
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Doug Bedford (np)	)
Marla Boyd (np)	)
Matthew Ghikas (np)	)
Brent Czarnecki (np)	)
Byron Williams (np)	)Consumers Coalition
Katrine Dilay	)
William Gange	)GAC
Peter Miller	)
David Cordingley	)
Antoine Hacault	)MIPUG
George Orle	)MKO
Senwung Luk (np)	) Assembly of
Corey Shefman (np)	) Manitoba Chiefs

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		)Service Medium
		)Customer Classes
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William Gardner	(np)	)Witnesses
Kimberley Gilson	(np)	)

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--- Upon commencing at 9:06 a.m.

THE CHAIRPERSON: Good morning, everyone. I hope everyone had a good weekend. Ms. Steinfeld, do you want to take us through today.

MS. DAYNA STEINFELD: Certainly. Thank you, Mr. Chair. Today we have Manitoba Hydro's closing submissions. They are scheduled for the morning. We have no submissions scheduled for tomorrow and then Intervenor submissions will start on Wednesday for the balance of the day and then continue on Thursday, again, for the balance of the day. We currently do not have submissions scheduled for Friday but it is available for an overflow day if something unexpected happens.

The other thing that I wanted to draw to the attention of all parties is that there are now three (3) public written submissions posted on the Board's website from Manitoba School Board's Association, The Portage Regional Recreational Authority and the Social Planning Council of Winnipeg and all parties can find those written submissions posted there. Thank you.

THE CHAIRPERSON: Thank you. Ms. Ramage...? I don't know if it's you or Ms. Fernandes or --

MS. PATTI RAMAGE: It will start with me --

THE CHAIRPERSON: It's starts with you, good. Thank you.

FINAL SUBMISSIONS BY MANITOBA HYDRO:

MS. PATTI RAMAGE: We will be -- well, I'll get into it, how's that. Mr. Chair, Madam Vice Chair, Board Members Grant, McKay, McCutcheon and Ring, it has been a challenging eight (8) weeks and probably a more challenging weekend then you can imagine.

But in these last challenging eight (8) weeks you have persevered and listened to an incredible amount of information, and we know that it's extremely challenging to sit and listen while the rest of us on this side of the dais were able to switch off and take breaks, you have sat and listened and on behalf of Manitoba Hydro, I want to thank you for your attention.

Manitoba Hydro has, as it typically does, prepared a comprehensive written argument. You'll be relieved to hear that we will not be reading it into the record. Instead, we will attempt to --

attempt to touch on what we view to be the most important points and you'll have that written argument for reference. I believe our PowerPoint is -- will be marked as Manitoba Hydro Exhibit 136 and that written argument, Manitoba Hydro 137.

--- EXHIBIT NO. MH-136: Manitoba Hydro Final Submissions PowerPoint.

--- EXHIBIT NO. MH-137: Manitoba Hydro written final submissions.

MS. PATTI RAMAGE: The primary purpose of the General Rate Application is to obtain final approval of three (3) rate increases: 3.36, effective August 1st, 2016; 3.36, effective August 1st, 2017; and -- did I say '16? '16 then the 17th and then 7.9 percent effective April 1st, 2018.

The first two (2) really present no challenge to you. Manitoba Hydro is not looking to retroactively increase the August 1st, 2016, interim rate nor the April 1st, 2017, interim rate. Further, there hasn't been any evidence provided in this process, nor indication from any Intervenor, suggesting that either of those interim rates ought to be adjusted.

The main challenge for you is to fix the rate increase for April 1st, 2018. You are not being asked to approve five (5) years of this rate increase. You are not being asked to approve Manitoba Hydro's new financial plan. What my client seeks is a 7.9 percent increase effective April 1st, 2018. The Board can take comfort in the fact it cannot be wrong in awarding 7.9 percent on April 1st.

The evidence demonstrates that Manitoba Hydro is currently not generating sufficient revenue to pay each day what it owes and what is -- it is legally obliged to set aside. We are not relying on forecasts or projections to come to that conclusion. You also don't need to rely on forecast to recognize the immediate financial impact of Bipole III coming into service in the summer of 2018.

Let's begin by looking at the financial impact of Bipole III in the coming year. Bipole III will come into service in August of 2018; that's this test year. It is a reliability project, necessary to ensure Manitobans continue to receive reliable power. Bipole does not, however, generate any revenue to speak of. It's an added cost and it is substantial.

Slide 4. Until -- until now all that

has been included in revenue requirement -- requirement on account of Bipole III is the annual contribution to the Bipole III deferral account. Manitoba Hydro's domestic revenue in 2718 -- 2017/2018 is one thousand four hundred and sixty-four million dollars ($1,464 million) which amount is not currently covering expenses.

In August of this year, we will add another $332 to Manitoba Hydro's expenses -- 332 million not -- we'd be good with three thirty (330). Absent an increase in rates, Manitoba Hydro cannot pay any of that out of current rates. No rate increase means we will have to borrow.

This Board made the sensible decision not to wait to introduce the entire cost of Bipole III to ratepayers in the month it comes into service. Instead, the Bipole III deferral account was established a number of years ago under Order 43 of '13 and a portion of each rate increase since that time has been designated for the purpose of the Bipole III deferral account. As a result, 11.1 percent of approved rates are being allocated to the Bipole III deferral account. Upon in-service of Bipole III, the amount formerly collected for the deferral account can, at least notionally, be applied to offset Bipole

III revenues. Without this, you would need more than a 20 percent rate increase, just to deal with Bipole III costs. With the deferral account we still need 10 or 11 percent. A 7.9 percent increase will be short in covering Bipole III cost -- expenses, but at least we're getting there.

The obligation to add Bipole III to the revenue requirement is not a material change in methodology; it's not a new accounting treatment; it's not a stratagem linked to achieving an aggressive financial target; nor is it a radical re-imagining of basic concepts of depreciation, paying your bills and paying your taxes.

Mr. Bowman suggested to you that the Bipole shortfall -- Bipole shortfall would only require a 4 percent rate increase. He was mistaken. He counted the benefits of amortizing the Bipole III reserve account, which cannot be done. It is in our rates already -- it's in our rates, already paid, and adds no cash. He overstated the depreciation associated with a switch yard at Riel that is already in service. When one corrects his math, one is back to the 10 percent mark.

No one has argued that we can ignore the incremental impact of the additional $332 million in August 2018 in today's revenue requirement; nor can we just wish it away. The 7.9 percent increase is justified on the basis of Bipole III this year alone.

Slide 5. The $332 million of Bipole III costs must be paid this year, notwithstanding that for at least the last three (3) years, Manitoba Hydro has not had enough cash from revenue to pay all its bills. In the first day of test -- of Manitoba Hydro's witnesses, Mr. McCallum talked about how we have to focus on cash. He said, and I quote:

> "The funny thing about cash flow is that it really isn't all that susceptible to radical re-imagining. There's no accounting policy with cash. It's either there or it isn't."

Everyone in this room understands cash. Manitoba Hydro presented its cash position both in its rebuttal evidence and subsequently on the first day of the hearing in Exhibit Manitoba Hydro 64 at page 19 and you have that on the screen in front of you. And I'm going to focus on the Exhibit 64 presentation, because it requires that we look at today. It's not a future looking presentation.

The results ought to be eye-opening.

Manitoba Hydro has, in the last two (2) years, and in the current year been operating with cash deficiency of between 272 and $383 million. Considering the domestic revenues are $1.5 billion, and that's after one deducts export revenue from the line at the top Receipts From Customers, this means Manitobans are falling roughly 20 percent short of paying the full cost and -- of operating and maintaining their electric system. We cannot run a business like that.

Now if we start at the top, you see our Receipts From Customers, that includes again domestic customers and export customers, in 2017/'18 they're expected to be $2.152 billion. Manitoba Hydro has to pay its employees and suppliers; that's the $892 million amount on the next line.

If we look at the next line, we see an amount for interest paid. We all know that when you borrow money you have to pay interest; that isn't uncontroversial. What the Intervenors will take issue with is that interest on money borrowed from major capital projects should be capitalized and pushed into the future. And yes, for financial reporting purposes one does that but creditors have to be paid interest in the year due to them now.

Now, Manitoba Hydro only included

interest associated with operations in the interest paid line. It didn't include in this line the interest payable on money borrowed to build major projects. And I'll come to those next because in the next line, one duc -- deducts the cash expenses related to business operations capital. These are all the costs that Manitoba Hydro pays each year to maintain, replace and enhance the system.

Again, this doesn't include any amounts from the major capital projects. Intervenors may argue that these capital costs are not in service, and Manitoba Hydro should not collect revenue for them. However, these are a real cash outlay today for Manitoba Hydro and if we don't have enough to pay for them -- for -- for them from operations, then we have to borrow to meet those payments. It is not sustainable to fund your day-to-day capital costs from borrowing.

At this point, you have to be reminded that Manitoba load, that's the consumption of our customers, it's not growing. So by borrowing to fund what is needed to keep the existing system going, you are miring the customers ever further in debt with all the cost and risk that goes with that.

Next, are all the expenses for demand-side management. Then, there are the payments we make for mitigation and other deferred expenditures. And then finally, the overhead costs. This Board has directed not be charged to income for financial reporting services -- purposes, but which are nonetheless costs that Manitoba Hydro must pay each year.

And that brings us to our first subtotal where you'll see in the last two (2) years, Manitoba Hydro has had a fairly substantial cash deficit. We forecast to be marginally positive in the year just about to end in March, but if the year were to end in August, that deficit would be much greater. A deficit cash position compels Manitoba Hydro to borrow. When revenues do not generate enough cash one must borrow.

And there's more. You've heard that Manitoba Hydro has to make payments due to mitigation liabilities, and due to the purchase of Winnipeg Hydro; only a small portion of which annual dollars are captured in revenue requirement through depreciation expense. As Mr. McCallum noted at transcript page 157:

"These things do not flow through
our net income to any great extent,

but they are payments that require
cash outlays and they are material."

Both Morrison Park Advisors and Mr. Bowman acknowledge it is appropriate to include these costs in revenue requirement. When you add those payments to the cash needs of the business, the situation worse -- worsens further. The bottom line slips lower.

Manitoba Hydro has included in this analysis the interest paid on account of Bipole III. As indicated earlier, the interest paid line up above excludes all interest under Bipole III and under Accounting Standards, interest on major capital projects like Bipole is capitalized and will be recovered from ratepayers once the asset is in service.

With rate depreciation -- with the rate decision, sorry, focused in -- on April 1st, 2018, it's important to take into account the $175 million of Bipole III interest that Manitoba Hydro is actually paying today and which will not be capitalized and pushed out to the future any longer. It will hit the income statement in the upcoming year.

And then finally, in the last line titled Contributions From Water Conditions, Manitoba

Hydro is urging the Board to reflect upon the additional revenue that is realized when water flows are above average and the fact that we cannot depend or plan on the assumption that water flows are necessarily going to be above average.

Sensible planning requires that one forecast revenues, domestic and export, assuming average water flows and not exceptional above average or below average conditions. Accordingly, this requires that one deduct from revenue totals realized in years when flows have been above average the amount of revenue attributable to that portion of the flow that was greater than average.

This chart demonstrates that highwater is expected to provide Manitoba Hydro with $91 million more revenue than would have been the case with normal water.

Adding it all up. Manitoba Hydro will be over $300 million cash short, absent an increase in rates. When we are short, it means we are borrowing money to carry out the regular operations and to meet the normal obligations of the business. We have been doing this and we cannot continue to do it. It is not sustainable and it clearly justifies an April 1st, 2018 7.9 percent rate increase.

Go to slide 6. Analysis of Manitoba Hydro's net income tells a similar story. Exhibit Manitoba Hydro 64 at page 44 demonstrates that on a normalized basis, the Corporation has been experiencing effectively zero or negative net income for several years. Absent highwater we would've been hooped. Manitoba Hydro has not been receiving sufficient revenue to meet its costs.

In fiscal year 2016 and '17, the amount of sales of electricity attributable to that portion of waterflows that were above average was 97 -- or was $87 million. When one recognize -- recognizes that it ris -- it results in a loss of $35 million before other adjustments. In the same fiscal year there was a one time gain on the account of a sale of land that gave us $20 million. It would be irresponsible to count on those type of positive windfalls to continue in the future.

Manitoba Hydro has had some debt for decades. Money has been borrowed at various interest rates at various times and this debt has been refinanced as it becomes due at new and generally different rates. When the interest on a major project like Bipole III is capitalized, one shows the accruing interest cost calculated using an average of all the historic interest rates applicable to the existing debt -- the existing total debt. This cost is not likely to match what is actually -- what one is actually paying to borrow money for a current project being built like Bipole III.

In the case of Bipole III, the cost of borrowing has been lower but removing from current accounts an amount on account of interest accruing on Bipole that is calculated on an average higher rate -- on an average rate that is higher, the consequence is that net income is overstated. Too large an amount has been taken out of the calculation of net income and moved to the account for capitalized interest for Bipole III. And that masks absent careful inspection that net income is overstated.

As explained by Mr. McCallum at page -- transcript page 215: Manitoba Hydro has had a positive net income contribution for having capitalized Bipole III interest at a higher rate; that rate, based on our average historical cost of borrowing, we've capitalized it at the high -- at the higher rate than the actual rate for borrowing those new funds in the current low interest environment. It creates a phenomenon of taking out more interest expense than the actual interest expense on the Bipole and serves to boost reported income; that amounts to $32 million in 2016 and '17.

Manitoba Hydro's adjusted net income, taking into account the impact of the above average water and nonrecurring sale of land and the Bipole capitalized interest adjustment, shows a loss of $82 million in 2016 and '17. It's of note that this charg -- chart doesn't take into account the ongoing payment obligations each year on account of mitigation liabilities and the purchase of Winnipeg Hydro that I discussed earlier.

But as noted in figure 1.1 of Manitoba Hydro's rebuttal evidence, at page 15, these obligations were $42 million in 2015/'16; $39 million in 2016 and '17; and are estimated at $75 million in 2017/'18. Adding these costs to the revenue requirement pushes the deficiency at current rates to between 84 million and 120 million over the last three (3) years. Without Bipole III, the financial situation today supports a rate increase of approximately 6 to 7 percent simply to restore rates to where Manitoba Hydro is meeting its revenue requirement needs to pay expenses associated with current operations and without any contribution to reserves. With Bipole III an increase in rates is imperative.

Section 6.4 of Manitoba Hydro's written argument deals with the role of reserves and I intend to touch on the topic later in my submission, but I don't want to leave this discussion regarding the inadequacy of Manitoba Hydro's net income without pointing out that Section 40 of the Manitoba Hydro Act requires the establishment of reserves. They are not optional. They are to be established for amortization purposes, for insurance purposes, for rate stab -- stabilization and to meet extraordinary expenses.

Manitoba Hydro's net income analysis demonstrates that we are not at current rates maintaining our reserves.

Slide 7. By any of the measures we've just reviewed, the 7.9 percent increase requested for April 1st, 2018 is justified by the need to address rate inadequacy today.

None of the analysis we've just covered deals with anything beyond 2018. If for a moment we look forward just a few years, just as this Board did a few years back when it saw Bipole III in the horizon, if we look forward, we see the Keeyask generating station is anticipated to provide power -- first power in August 2021 and will be fully in service by roughly the end of '22 -- of the 2022/2023 fiscal year. Once this occurs, Keeyask related depreciation, interest, operating costs and capital tax will all be added to Manitoba Hydro revenue -- revenue requirement, just as this year in August, those same costs are being added on account of Bipole III.

Unlike Bipole, Keeyask will generate meaningful revenue. Unfortunately, based on the current capital os -- estimates and outlooks for export price forecasts -- or export prices, it's anticipated that the net impact -- the net impact to Manitoba Hydro's revenue requirement going forward will be negative and substantial for a number of years.

As identified in PUB-MFR-20, the 2023/2024 incremental costs of Keeyask will be $581 million. Export revenues that will be generated by Keeyask at that time will only be roughly half its costs.

Manitoba Hydro asserts that the PUB, as it wisely did with Bipole III, must take a strong step now by approving a 7.9 percent rate request so as to begin the process of incorporating into rates some part, at least, of the pending impact of Keeyask.

Characterizing Manitoba Hydro's present financial state is due simply to the delayed schedule of Keeyask and the additional costs of Keeyask and Bipole III is misleading. If my client in the last several years had had positive cash flows and a positive net income, it might have had more confidence that it can weather this storm. After all, as you heard from Mr. Forrest and Mr. Osler, thirty (30) years ago steady growth in domestic revenues and phenomenal growth in export revenues helped Manitoba Hydro to complete its largest generating station Limestone and to acquire Centra Gas and Winnipeg Hydro.

But today, the reality is there is no reasonable possibility that Manitoba Hydro will be able to rely on growth or growth in export revenues or interest rates dramatically falling to deal with its current cash flow problems; nor, to deal with the levels of borrowing its undertaking to complete the major capital projects such as Keeyask and Bipole III.

Projected revenues are down primarily as a result of the combined effect of a flattening of the domestic load forecast, export prices not rebounding as previously expected and increased capital costs associated with the major projects

Keeyask and Bipole.

We're at slide 8. Manitoba Hydro's load forecast tells us that Manitoba load has not materialized as previously forecasted and the Corporation is now faced with ten (10) years or more of no net load growth. And here I'm referring to page 38 of Exhibit Manitoba Hydro 64.

Slide 9. This load forecast was reviewed by the PUB's independent expert consultant Daymark Energy Advisors, who were tasked with reviewing the reasonableness of Manitoba Hydro's load forecast and its supporting methodologies. In summarizing their overall findings, Daymark's Ms. Kelly concluded, and I quote:

> "Manitoba Hydro's forecast method -- methodologies are reflective, fully reflective of industry practice. I seen exactly what they're doing in other places before, and other -- most Utilities are relying on similar tools and technologies to do their forecasts."

And that comes from transcript page 3895. Manitoba Hydro expects that Intervenors will focus in on Daymark's finding that the Corporation's projection of top consumers long-term growth is conservative, relative to previous forecasts and argue that the load forecast understates future load growth.

Well, the fact is Manitoba Hydro's 2017 load forecast does take a more conservative approach to forecasting potential large industrial load. This change was made based on the recommendation of the PUB in Order 170 -- or order 73 of '15. Now, I've reproduced the relevant paragraph on the slide and I won't read the entire paragraph into the record, just the last two (2) lines -- sentences.

> "The Board sees Manitoba Hydro's PLIL as an inappropriate upward adjustment that does not reflect the recent top consumer's load growth history. The Board recommends that Manitoba Hydro take a more vigour -- vigourous approach to forecasting the top -- top consumers' load."

And that's at page 78 of that Order. Daymark noted that the more conservative PLIL method used in 2017 forecasted 523 gigawatts hours less load than using the 2014 method and 20 -- combined with 2017 data over the twenty (20) year forecast period.

This result is not unexpected and was

implemented to address the concerns expect -- expressed by this Board. The change in forecasting methodology for PLIL rep -- better represents the expected growth of this sector.

Further, any alleged conservatism in the forecast is more than made up by the recent loss of an energy sector project in Manitoba. There's been much discussion during this hearing about what the level -- what level of DSM should be included in Manitoba Hydro's long-term financial projections.

Mr. Bowman testified that Manitoba Hydro's baseline IFF includes DSM activities that are, quote,

"Benchmark too high, even given the facts facing us."

And that's at transcript page 6079. Mr. Bowman's comments ignore the impact of the new Efficiency Manitoba Act, which establishes a new Crown corporation to administer demand-side management and also mandates a target of 22.5 percent over fifteen (15) years, or roughly 1.5 percent per year.

Given Manitoba Hydro's demand-side management projects savings of 1.2 percent per year, the suggestion that Manitoba Hydro savings are benchmarked too high is unsupportable.

Slide 10. You've heard evidence not just in this hearing but the last number of hearings that the forecast of export prices is on a downward trend. Manitoba Hydro advised in its November 20 -- November 16th, 2017 quarterly report for the six (6) months ending September 30th, 2017, that, quote:

"As of September 30th, 2017 on-peak opportunity prices were 22 percent below the target in MH-16 update with interim, while off-peak prices were 6 percent below target. This represents a further deterioration compared to the quarter ended June 30th, 2017 where on-peak prices and off-peak prices were 16 percent and 4 percent below target."

Not surprisingly, a downward trend in export prices goes hand in hand with the downward trend in projected export revenues.

Slide 11. In addition to its load forecast work, Daymark was tasked to review the reasonableness of Manitoba Hydro's export price forecast methodology as well as its projections of export revenues. It is of note that Daymark found that Manitoba Hydro's reven -- revenues forecast from existing export contracts is reasonable. They also found that the treatment of new contracts is consistent with the resultant revenue -- is consistent, and the resultant revenues forecast is reasonable. And that comes from page 35 of Daymark's report. It's Exhibit DEA 7.

Well, slide 12. Manitoba Hydro made a policy decision to remove the potential capacity revenue associated with unsold capacity and dependable energy from the revenue forecast as well as the decision to eliminate the assumption that will ach -- that it will achieve a long-term dependable product premium. I expect you'll hear about that during Intervenors' submissions. And yes, the results. This results in lower -- a lower forecast of export prices.

But to put Manitoba Hydro's decision with respect to cap -- capacity revenues in perspective, it should be understood that MISO itself projects no demand for additional capacity until 2023. And here I'm referring to the response in Manitoba Hydro Daymark exports First Round number 1. Daymark agreed with MISO's conclusion, stating that:

"It is likely that MISO will be short capacity within the next ten (10) years, possibly as soon as

2025."

And that's from page 72 of Exh -- of Daymark's report. So the timing of the issue of whether to include capacity revenues is well outside the rate increase sought in this application. It's five (5), maybe even seven (7) years out. The PUB has requested Manitoba Hydro prepare a number of scenarios to test the impact of that decision. These scenarios will be submitted as CSI, and those scenarios will allow the PUB to further assess the materiality of this issue.

Slide 14. With respect to the long-term dependable product premium, Manitoba Hydro explained in Tab 3 at page 14 of its application that in the past, this premium was included in its revenue forecast based on its ability to leverage what was once an almost unique, fixed, carbon free product in the MISO market. In the current and foreseeable future, with government south of the border significantly subsidizing renewables like wind and solar, Manitoba Hydro does not believe it prudent to count on this revenue for planning purposes unless and until there has been a signed contract in hand.

It's interesting to note that, as outlined on page 25 of Exhibit Manitoba Hydro 83, the premium was reviewed during the NFAT, and both the PUB and Daymark were skeptical. At the time, Daymark, then known as LaCapra, stated, and I quote:

> "Manitoba Hydro provides little justification for the amount of the premium."

In June 2014 -- in the June 2014 PUB NFAT report, the PUB itself expressed its skepticism of the premium, stating:

> "The panel is concerned with the risk that future export contracts may not attract the premium pricing that Manitoba Hydro assumes."

And that's found at page 115 of the NFAT report.

Manitoba Hydro is now, frankly, puzzled by Daymark's support of a premium. Manitoba Hydro doesn't believe there's any realistic potential for the long-term dependable product premium to return to the MISO market, given competition from other renewables on any time horizon. From 2023 and beyond, if MISO load fore -- load forecasts proved to be accurate, there is -- and there is pot -- there is potential for the new -- for a -- the -- for a need for new capacity, and in turn, a potential for some yet to be determined value for generation capacity at that time.

Should additional capacity sales be contracted, the associated forecast revenues can be added to the IFF at the specific contract dates. Given the continual decline in the markets generally, Manitoba Hydro believes it imprudent to count on capacity pricing and long-term premiums. In the happy event that we sign contracts, we can adjust accordingly. There is likely to be two (2) further General Rate Applications between now and 2023 to make that adjustment. However, for the purpose of 2017/'18, Manitoba Hydro's assumptions are reasonable and prudent in the circumstances.

Now, at this point. I'd like to turn the mic over to Ms. Mayor. She'll talk about the third -- well, the third leg of the chair. I guess it's a stool, a three-legged stool. I've -- I've gone through the load forecast, the decline in load forecast, the decline in export -- export prices, and now, Ms. Mayor will address the capital review and the Corporation's perspective -- persp -- perspectives on the MGF review. I clearly need a break at this point.

MS. JANET MAYOR: Good morning. I feel like I'm on a TV show that I'm not quite good enough to get a regular recurring role, but every once in a while, I get a cameo, so here I am.

THE CHAIRPERSON: Ms. Mayor, that's how Tom Hanks started, so.

MS. JANET MAYOR: There we go. By virtue of Manitoba Order in Council 00092/2017, issued April 5th of 2017, the Public Utility Board was assigned the duty of considering capital expenditures by Manitoba Hydro in its next review as a factor in reaching a decision regarding rates for services and in order to support setting rates for services in a manner that balances the interests of ratepayers and the financial health of Manitoba Hydro.

Ms. Ramage and Ms. Fernandes will be covering very capably the rate impacts on -- from Manitoba Hydro's major capital projects, and it's also covered in depth in the written argument that you've got before you. So I'm not going to be covering that aspect today. It's also not my intention to review the evidence provided at many other regulatory proceedings that have already considered and approved the projects that came before you.

This panel is neither interested nor mandated to redo all of that work, or to reverse past decisions made over which you now have no control, though of course, this would give you the benefit of hindsight to do that, always 20/20. Those are, however, to some degree, reviewed in the written argument as well.

What I will do is summarize the detailed review of the construction and management of Manitoba Hydro's major capital projects that took place during the course of this GRA, and the cost and status of the project schedules, both of which can then be used by you as you look forward to set the rates.

Very briefly, before I go into Bipole, which is the first slide, I'm just going to comment. Ms. Ramage made a number of references to Daymark. Daymark also had a review of the Manitoba to Saskatchewan transmission line, and I'm not going to deal with that at all further, other than to say it was Daymark's conclusion that it was in the best interests of Manitoba and Manitoba Hydro to proceed with that project.

In terms of Bipole III reliability project, including the converter stations, those are close to conclusion, as you heard. They are on schedule for an in-service date of July 2018. It is also on track to meet the control budget of $5.04

billion. The only real risk is in the last six (6) months is possibly to schedule.

The independent review made a number of comments about the Bipole III project. It indicated it was well-managed, it was well-organized, it was efficiently managed, and it also indicated that Manitoba Hydro took the right course of action when issues arose with one (1) of its contractors by descoping the work.

I've got just a few pictures, just to show up Ms. Ramage and Ms. Fernandes. So we've got -- just to indicate how close we are to conclusion, there is the Keewatinohk converter station, a view from the AC switch yard.

The next slide has the Riel converter station building, again, very close to completion.

And the next slide also shows another view of the Riel converter station.

The next slide shows for us some guyed towers that have been completed.

The next slide has some further towers, showing on the left some stringing operations that are going through in the self-supporting towers, and on the right some self-supporting towers being erected by helicopter.

And last, again, a view of the stringing that's taking place on the towers. So as I've indicated, close to completion -- completion, and the finish line is in sight.

The next project I was going to review the Manitoba-Minnesota transmission project, also known as MMTP. It has an in-service date of June 2020. The comments that were made throughout the evidence was that this is being managed appropriately, and that the team is continually improving and adjusting to meet that in-service date. Hydro is confident in its control budget of $453 million. However, it is early, and it's in the preconstruction stage, as no licenses have as of yet been issued by either the provincial or federal governments.

The independent review again spoke highly of this project. It indicated that its estimating methodology is consistent with industry practice and industry standards. The MMTP project has also had the benefit of many lessons learned, and they were able to use the recent costing and scheduling information from Bipole III and other similar but smaller transmission line projects, and they've used that information carefully in its scheduling, forecasting, and budgeting processes, allowing it to provide a current estimate at the P75 level. I don't have any pictures of that project, because of course, it's not yet built.

The next project is the Great Northern Transmission Line, the other half of the US transmission line tie-line that's being built. As you heard from Mr. Cormie, this is somewhat different, as it's not a Manitoba Hydro project, though Manitoba Hydro is paying for a portion of it. The independent review done of that project indicated that the construction management agreement is well-considered commercially, and serves to protect the interests of Manitoba Hydro. It is on schedule for in-service on June 1st, 2020, and to date, the project is on budget, with approximately 10 percent funds spent.

As Manitoba Hydro indicated, the budget will be updated once contractors -- contracts are fully in place, and so for rate-setting purposes next year, there will be better numbers in place for you to look at.

In terms of the future, there are certainly specific terrain conditions, and weather dependency that do impact the construction costs. It's very remote. It's a very wet terrain, and it requires favourable winter construction weather needed to minimize the access costs with that kind of terrain. As you may recall for both this project and GN -- and MMTP, is Mr. Penner somewhat jokingly said, We need cold weather, but we don't need it too cold. So there's that very fine balance that works when you're doing construction. Manitoba Hydro's expectation with respect to GNTL is that the project will be under budget, given the conservative nature of Minnesota Power's budgeting process.

Turning next to Keeyask, as you've heard throughout the hearing, there are many complexities to this multiyear, multifaceted construction project, and these cannot be understated. These complexities make it unique from all the other Manitoba Hydro projects that you've heard about, and from many other projects across North America. As one (1) of the witnesses from KCB indicated, and quite correctly stated, Each generating project is custom.

In this particular case, Keeyask's remoteness, its size, and its Northern location create challenging construction issues and seasonal constraints. At peak, there will be twenty-four hundred (2,400) people living at its camp, all of which must be engaged, focused, and working hard to achieve the various milestones. There are numerous environmental and regulatory requirements that are put in place to protect and preserve the -- the environment, and must be adhered to strictly.

In this case, the project requires diverting a river over a kilometre wide and extensive dike by way of example of some of the complexities. Significant structures are required to protect -- to the work area, and the natural topography that many of you actually saw presents challenges as subsurface conditions underlying the river and the land itself only become -- but in terms of the river, only become evident once the coffer dams are constructed and the riverbed is exposed. For all of these reasons, forecasting of both the budget and the schedule is challenging, particularly in the early stages of the project.

I'm not going to revisit here the decision to award BBE the contract or the contract model. Both of those were discussed in great detail at the hearing, and they are contained in the written argument. However, suffice it to say in 2014, in the market conditions that existed at that time, and with the full knowledge of Manitoba Hydro's Board, it was the right decision. Remind -- I -- I'd like to remind the -- the panel as well, in terms of the evidence that came forward in the cross-examination of MGF, contract type is not a guarantee of success, and we only have to look east to Muskrat Falls and west to Site C to see that that is the case.

In any event, there's no going backwards, and there's no changing the decisions made, and there's only a limited ability to renegotiate cer -- provisions, because it has to be done by mutual agreement, and that was done by Manitoba Hydro to the extent possible.

The project team's focus now is to deliver this project on time at the new projected in-service date, and on budget, consistent with the control budget of $8.7 billion. It went through a rigourous budgeting process. It went through a risk-based probability analysis by validation estimating, a third-party, and John Hollmann, who you've heard as an expert in this field, unlike MGF, who provided in its own words an imprecise order of magnitude range budget, and by its own admission, it was not even verified by Monte Carlo analysis. It cannot be relied upon.

Manitoba Hydro has put forward a strong plan to get to its in-service date and its budget, and it is working cooperatively with its general civil contractor to do just that, and the advice of all third parties is that the work must be collaborative and cooperative with your general civil contractor to be successful.

You heard that in 2016, when production and productiv -- productivity issues first arose, Manitoba Hydro acted quickly. You'll recall that a separate task force was set up to understand the source of the under performance, and to understand the root causes, something that all of the experts said needed to be done. Multiple root causes were identified and mitigation measures began to be developed, but these take time as well as continual monitoring and refinement of those measures, and this is being done daily, weekly, and monthly.

In the 2017 construction season, only the first year of construction after the implementation of the recovery plan, significant improvements in both concrete and earthworks production were achieved, despite the greater complexity of the concrete work in 2017 as a result of more curved form work and work at higher elevations. Despite those additional complexities, there were those improvements.

As well, there were a number of

milestones achieved which allowed the project to protect and advance schedule that could see the units come on -- come online earlier than the revised control schedule of August 2021, and I'll show you a few pictures of that in a minute.

To improve outcomes in 2018 and beyond, Manitoba Hydro is working in close collaboration with BBE on execution planning, and is exerting greater oversight of BBE's construction management to improve its performance. You've heard evidence of many actions for positive change, and some of those are before you right now.

You will see that Manitoba Hydro is working to improve the contractor's management of the trades. It has worked on the travel logistics for the contractor's workforce. There has been put in place a sitewide respect of workpla -- workplace campaign, important for the engagement of the workers. There has been a contractor's revised organizational structure and increased supervision capacity and experience, not less supervision, more supervision is required. There's been the development of an effective monitoring and control system to provide daily feedback to the contract -- contractor's workforce, and there has been an establishment of a single mission and team ethics for the Manitoba Hydro and BBE team. A work in progress, but they are turning this team into a cohesive, working unit.

Manitoba Hydro has been leading efforts to gain efficiencies, to improve methods and processes, and achieve cost and schedule savings. Two (2) examples of key initiatives where Manitoba Hydro spearheaded efforts that led to significant cost and/or schedule benefits are as follows: One (1) was the utilization of column extenders, which you heard about, in the powerhouse and intake, which allowed for the structural steel to be installed in the concrete structures at lower elevations, therefore allowing earlier enclosure of the powerhouse in-service bay. This alone resulted in schedule savings of over one (1) year.

You also heard about the advancement of the work on the south dyke in 2018, and the supporting design changes which will allow for additional quantities to be placed during the winter 2018, and to reduce risk to the project schedule. These are just two (2) of many examples where Manitoba Hydro had led BBE and its other contractors to improvement and ultimate success. Manitoba Hydro has engaged a number of external experts that are in place at this time to test Manitoba Hydro's and BBE's plans for 2018 and beyond to ensure that everything possible is being done to the deliver the -- to deliver the project at the lowest cost and the shortest schedule.

Manitoba Hydro is confident that the improvements from 2017 can continue and that further significant improvements will take place in 2018, and I have a few pictures to show some of those significant achievements. As you can remember, this was back in October. The spillway concrete was complete and on schedule.

The next picture shows the powerhouse crane installation, also completed and on schedule in November of 2017. Units 1 to 3 were enclosed ahead of schedule, and you can see this picture is as of January 26th, 2018. Unit 1 draft tube liner installation by Voith commenced on schedule and will be completed on schedule.

Again, a recent picture from January 24th. And there was the handoff of spillway gates, guides, and hoists to the contractor on schedule again in January of 2018. Finally, the earthworks are on track for river -- river diversion in August of 2018.

Just in summary, I want to remind you that there are still four (4) more years left on this project to adjust and continually approve. In summary, the Manitoba Public Utilities Board and the ratepayers of Manitoba Hydro should be reassured by this panel's detailed review of the construction and management of Manitoba Hydro's major capital projects.

And I will end with the written words of one (1) of the independent experts retained by the Public Utilities Board, who said:

"The Manitoba Hydro teams on all projects are very capable and dedicated. You're in good hands."

I'll give it back over to Ms. Ramage.

MS. PATTI RAMAGE: Cognizant of the time, my next section is roughly forty (40) minutes before I go back to Ms. Fernandes. Do you want me to keep going now, or --

THE CHAIRPERSON: Yeah, I -- I think what we'll do is we'll take a break after you're done --

MS. PATTI RAMAGE: Okay.

THE CHAIRPERSON: -- the next section.

MS. PATTI RAMAGE: Certainly. Well, you've heard about major capital. Very briefly, on the topic of business operations capital, Manitoba Hydro's position is outlined -- we should be at slide

33 -- it's outlined in section 9 of the written final argument. In short, Manitoba Hydro's position is that all of the planned sustaining and business operations capital is reasonably required for the continued supply of safe and reliable electric service. The Coalition's witness, METSCO, made a number of observations and recommendations with respect to business operation capital. Manitoba Hydro does not have a sense of the Coalition's position on this, so our intent is, if necessary, we will deal with this topic in our reply submission.

If we could go to slide 34. You have heard numerous times throughout this hearing, the debt is growing out of all historical proportion to the size of Manitoba Hydro's business. The slide before you, Manitoba -- is Manitoba Hydro Exhibit 64 at page 20, and it -- it illustrates that point.

When you look at 1990, you will see that Manitoba Hydro had roughly 250,000 gigawatt hours of domestic load, but look where we are today, about eight hundred thousand dollars ($800,000) of debt per gigawatt hour. Worse, look where we're headed. Under a 3.95 percent rate path, we climb to over 1.1 million, with no real sign of abatement.

Under the 7.9 percent path, we get off

that trajectory and start chipping away at the debt.

Slide 35. In these unique circumstances more than ever, we need to understand where the Corporation is headed. We need to get a handle on the range of possible outcomes and a plan that deals with those outcomes. In this business, even in normal times, Manitoba Hydro invests a great deal of time and energy on the planning function. It's a huge complex business performing a critical function. It is imperative that the Unity is reasonably positioned to manage its -- the challenges it will face.

We recognize that you are only being asked to approve April 1st, 2018, rates, not a series of increases nor a long-term financial plan. I submit you have plenty of justification to approve the requested increase based on cash flow deficiency, that cash flow deficiency were experiencing today. But an understanding of the fundamental elements of Manitoba Hydro's financial plan and the risks it seeks to address represents yet another important reason to approve a 7.9 percent rate increase in 2018.

Manitoba Hydro's new financial plan is necessary to ensure the financial sust -- sustainability of the Corporation. In doing that it insures that in the intermediate and long-term customers will benefit from more rate certainty, less rate volatility, and overall lower rates. We can't begin to address today's problems, let alone tomorrow's, until we take that first step to get on top of the current situation. We will not get there. We will not even get out of the gate without a 7.9 percent increase on April 1st.

As Mr. Shepherd said at transcript page 242, we can adjust going forward, but we need to get started because the one (1) thing you can't do is go back in time to review to re -- to revisit today's choices if we're not adequately prepared for the future.

The fund -- fundamental premise of Manitoba Hydro's 7.9 percent plan is that by implementing stronger rate action now, Manitoba Hydro is building its balance sheet to be more resilient in the face of uncertainty. This is critical for Manitoba Hydro given its status of having more hydrology and export price risk than any other Crown owned Hydro based utility. The plan focuses on debt and cash flow. Equity is not cash, and it isn't going to pay the bills when they come due.

The risks that Manitoba Hydro faces are

not theoretical. Rising interest rates, softening export prices, slower load growth, and low water conditions have all been experienced before. A financial plan that does not include meaningful net income offers no flexibility for the utility or its regulator to respond to those risks when they in ev -- inevitably occur.

Slide 36. The consequence of the increase in capital cost, reduction in load growth, and weaker export pricing is that net debt levels will peak at significantly higher levels than under any prior forecast. Under the NFAT plot -- Plan 5 net debt was expected to peak at $21.6 billion in 2022/2023, roughly three (3) years after the then planned in-service of Keeyask. There I refer to Manitoba Hydro Exhibit 93.

Even under Manitoba Hydro's '16 update with interim, the 7.9 percent plan, it shows the debt grows to 23.6 billion which is 9 percent higher than under that NFAT plan. It should be noted that this is supported by a domestic load that is expected to be 7 percent smaller than under the NFAT projection, thus compounding the vuln -- vulnerability of Manitoba Hydro and its customers to the growing debt.

Manitoba Hydro's financial plan as set

out in appendix 3.8, page 3, will restore debt to levels contemplated under NFAT on a longer time frame than anticipated at the NFAT. It's five (5) years after the first in service of Keeyask. Also, with the support of smaller domestic -- a smaller domestic rate based than assumed at the NFAT. That's how that -- that plan will roll. The plan takes positive steps toward prudent debt management but should not by any means be understood to leave the Corporation and its customers at anything other than high risk levels.

Slide 37. Manitoba Hydro's plan rep -- represents an acceleration of rate increases for five (5) years, but overall its cumulative rate increases are lower, 77 percent versus the 3.95 percent plan of cumulative rate increases of 98 percent.

Slide 38. Both Mr. Bowman and Mr. Colaiacovo have acknowledged that Manitoba Hydro requires reserves and that it's not a good idea to operate with little or no equity. Curiously, in this proceeding, Mr. Colaiacovo took the position that reserves should only be maintained for hydrology risk. This evidence is significantly different than that submitted by this witness during the NFAT.

In the NFAT Mr. Colaiacovo responded to PUB/MPA-1st Round-30 by first observing that since

Manitoba Hydro's cash flows fluctuate dramatically with hydrology and export prices, and Manitoba Hydro's target equity ratio is a comparatively thin 25 percent, the use of an equity prem -- risk premium as low as 4.5 percent is notable. Later in that same response he says:

> "In reality, however, rates do not rise and fall annually but are smoothed over time. This suggests that equity returns should be built into rate structure to provide a cushion for inevitable swings in cash flows that derive from noncontrollable events, such as hydrology and export prices. Moreover, the possibility of prolonged financial distress also ges -- suggests that equity premiums and a healthy equity ratio target are required."

Mr. Colaiacovo's reasons for limiting reserves to hydrology risk don't make sense and are inconsistent with his NFAT evidence. The suggestion that debt exposed to interest rate risk in any one (1) year is relatively small, that suggestion is wrong.

Between 2018 and 2022 Manitoba Hydro is projected to borrow $13.5 billion. A moderate 1 percent increase over forecast interest rates will result in an increased finance expense of $130 million annually. That is equal to a one (1) time rate increase of 8 percent.

While these witnesses acknowledge the need for reserves, the reality is that the plans they are promoting do not generate sufficient cash to avoid borrowing to fund the normal operations of the utility. The plans they endorse generate significant sustained net losses over the next decade, the exact opposite of building reserves. And all the while our debt will grow, even after Keeyask is in service.

We have included in our written argument a critical discussion of the role of equity. Manitoba Hydro's review of Intervenor evidence reveals a fundamental misunderstanding about the role of equity. A principal argument put forward by Morrison Park and Mr. Bowman is that Manitoba Hydro's equity need only be scaled in some proportion to the financial erosion anticipated from a five (5) or seven (7) year drought. The argument continues that Manitoba Hydro's plan to build its equity to 6.9 billion by the end of 2026/'27 is excessive in face of losses on a five (5) or seven (7) year drought that are in the order of 1.2 billion to 1.5 billion.

The reality is, equity is not cash. The bulk of our equity was created before 2009, which is now almost a decade ago. We have added almost nothing to reserves, notwithstanding a confluence of great water conditions and declining interest rates. We didn't need to be this far in debt.

Remember, equity in and of itself, is of no useful service to Manitoba Hydro in the event of financial distress. Regardless of the equity recorded on the balance sheet, in the absence of rate adequacy to cover its costs Manitoba Hydro will have to borrow money or raise rates. Equity is not a reserve funded with cash that can be drawn on to absorb losses. The value of a strong equity balance is solely that it represents debt not borrowed and, therefore, interest payments that do not have to be made.

The in -- the Intervenors are caught in a myopic world view that drought is Manitoba Hydro's largest financial risk and, therefore, reserves must only be scaled accordingly. In the short term drought is Manitoba Hydro's largest potential financial loss. But drought will presumably have an end and, therefore, the erosion has a limit. Back in days past when Hydro had significantly less debt and significantly better export prices, drought risk was substantial.

If we could go to slide 40. Now, absent the rate adequacy Manitoba Hydro is proposing a drought will be entirely debt funded. And in the five (5) year example, add $1.2 billion to Manitoba Hydro's $25 billion debt. That's a bad outcome, there's -- there's no doubt. But really it's taking an off -- taking an awful situation and adding to it.

The real issue is the awful situation. Drought is dwarfed in comparison by the effectively limitless and perpetual damage that will be delivered upon Manitoba Hydro's ratepayers if steps are not taken to address the $25 billion debt balance while it still manageable. That is, before interest rates rise. If Manitoba Hydro and its customers find themselves on the wrong side of a long term systemic rise in interest rates, the financial consequences are almost impossible to quantify.

Ten (10) years ago the Government of Canada long-term bond was two hundred (200) basis points, 2 percent higher than it is today. Twenty (20) years ago was over four hundred (400) basis points. On $25 million of debt even a return of interest rates to long-term historical averages could eventually cost Manitoba Hydro hundreds of millions of dollars per year, even up to 1 billion. And unlike with drought, there would be no expectation of relatively near term abatement.

Slide 41. Kelvin Shepherd spoke about the role of equity quite eloquently on day one (1) of the hearing. Equity is not cash. This is essential to understand. Equity is not a store of cash that can be used to mitigate rate increases when bad things happen. The only cushion to absorb unforeseen events and risk without having to raise rates even more, and/or borrow yet more money, is having rates that -- at sufficient levels where you're generating income and cash flow.

And as we make clear the old plan with its 3.95 percent rate path comes nowhere near close to doing this for us. Without this cushion when adverse events occur, the only choices available are to increase rates, potentially a lot, or borrow more money. We should not and cannot as a planning matter knowingly put ourselves in that position.

Next slide. And I'm going to -- I'm running a little out of order at this point, but I'm just gonna go with the slide deck rather than try to move things along. The analysis Manitoba Hydro provided in response to new evidence introduced in the hearing by Morrison Park Advisors confirms the erosion of reserves over the last five (5) years.

Ignoring the impacts of the major capital projects, rate inadequacy has led to debt increasing 20 percent, while equity decreased 10 percent, resulting in a 5.4 percent decline in Manitoba Hydro's equity to debt ratio just as a result of core operations. And you'll see those numbers on the bottom line -- in the bottom square box on slide 42.

If we could go to slide 43. Manitoba Hydro noted with great interest Morrison Park Advisors' disagreement in this proceeding with Manitoba Hydro's view that when managing distress caused by events such as drought, the critical issue is the magnitude of the outstanding debt on the balance sheet, not the size of the retained earnings. And here I'm referring to an exchange between Mr. Ghikas and Mr. Colaiacovo. And Mr. Ghikas said -- asked the question to Mr. Colaiacovo::

"Now, I'd suggest to you that when it comes to managing distress that comes with an event such as drought,

the critical issue is the magnitude
of the outstanding debt on the
balance sheet, not the size of the
retained earnings."

And Mr. Pelino's response, which is in the top of slide -- of the slide it slide number 43, his response was:

"I don't think I would necessarily
agree with you. I don't think the
magnitude of debt in isolation has
any relevance."

Now, Morrison Park Advisors' evidence in this regard directly contradicts its response provided to its current client, Consumers Association of Canada, during the NFAT proceeding. when acting in the capacity of a PUB independent expert consultant it stated, and here we have it at the bottom of this slide:

"The critical issue is the magnitude
of outstanding debt on the balance
sheet, not the size of retained
earnings."

So at the NFAT, when retained by the PUB, the critical issue was the magnitude of outstanding debt on the balance sheet. In this proceeding, acting for the Coalition and MIPUG, the magnitude of the debt in isolation has no relevance. They are two (2) completely contradictory statements, and no explanation was provided for this dramatic about-face. Morrison Park Advisors did acknowledge that retained earnings are not cash, and that cash flow is the issue.

It's interesting to note that despite Intervenors' acknowledgment of the need to maintain adequate reserves, none presented evidence of a plan which in any way served to address the need to contribute to and build reserves or generate positive cash flow. That is the fundamental failing of the twenty (20) year 3.95 percent plan.

Slide 44. The solution is to set rates inclusive of proper reserve contributions and the ability to generate positive cash flow. This comes in the form of a rate path that is expected to generate positive net income in normal waterflow years. That is the 7.9 percent rate path. It begins with an April 1st, 2018, 7.9 percent rate increase. April 1st, 2018, is just the beginning.

In the event actual results turn out more favourably than anticipated, customer contributions to reserves do not leak out as dividends like they might in the typical investor-owned utility. Customer contributions stay within Manitoba Hydro, and under a cost of service regulation the PUB has an opportunity in future proceedings to adjust customer rates accordingly. You can't be wrong taking that first step.

If we could go to slide 45. Manitoba Hydro has been clear it believes it is imprudent as a planning matter to pursue a rate strategy with the goal of negative net income in any one (1) year, let alone for a sustained period. It would appear that Mr. Colaiacovo should agree with that sentiment, given he said, and I quote:

"You would also ask yourself if water was at more typical levels over the period, over the five (5) or seven (7) year period, what would be the effect? Would it be -- would we be making progress on our financial targets more broadly? Would we be -- we'd be repaying debt? Right. So, you know, you always want to make sure that in challenge -- in a challenging scenario you have enough reserves.

But you also want to pay attention
to what happens when water is at
typical levels and that -- and that
kind of an analysis, I think, would
guide you to make rate decisions."

In the years following Keeyask's in-service date implementation of the 3.95 percent rate path results in substantial sustained net losses, significant deterioration in the equity ratio, and increasing net debt levels. It certainly does not meet the requirement of maintaining sufficient reserves and average water conditions.

If we could go to slide 46. Twenty (20) years is too long to be exposed to interest rate increases. Under the 3.95 percent rate path net debt will grow to 24.8 billion by the end of 2023/2024, at which point the Keeyask generating station is fully in service.

As demonstrated in exhibit Manitoba Hydro-64 at page 20, despite cumulative rate increases of almost 50 percent, by the end of that period under the Manitoba Hydro -- under MH-15 3.95 percent rate plan, debt remains roughly 5 percent of this peak until 2023 -- or 2033/2034. So debt will remain at that level sixteen (16) years from now. The failure to make any appreciable repayment of debt in the face of roughly 50 percent communic -- cumulative rate increases demonstrates the inadequacy of the 3.95 percent plan.

If we could go to slide 47. From a financial perspective, Manitoba Hydro has no greater risk than rising interest rates. Once Keeyask is in-service Manitoba Hydro will have an annual interest expense of approximately $1.25 billion per year. And that's assuming its projection for both interest rates and the final capital needs of the major projects prove accurate.

This compares to $2 billion of domestic revenue in 2023 following the 3.95 percent rate path. In other words, sixty-three cents ($0.63) of every ratepayer dollar will go to servicing debt. On $25 billion of debt even a 1 percent increase in interest rates would have dire consequences. It would be highly imprudent not to take action now to curb debt growth and give the clear -- given the clear danger and unaffordable consequences of unplanned interest rate escalation.

If we go to slide 48. Net income is an essential feature of prudent financial planning for a business of this scale, a business of this complexity, of its importance, and the volatility of Manitoba Hydro. The PUB recognized this in Order 90/'08 at page 7, when it wrote:

"It is prudent that known risk are addressed now, in part through the provision of additional revenue, so as to best ensure adequate financial reserves ahead of uncertain times."

Accepting a path of 3.95 percent rate increases that are insufficient to generate positive net income would be a concerning continuation of a trend wherein net income and contributions to reserve are sys -- systematically eroded because Manitoba Hydro is in -- insufficiently funded to pay its expenses.

Slide 49. Manitoba Hydro believes limited value should be ascribed to forecast a decade or more in the future. The 3.95 percent plan is highly dependent on the back end of a twenty (20) year forecast proving accurate. As noted by Mr. Shepherd:

"A decade is a long time. In any business I've been around forecasting ten (10) years in the future, let alone fifteen (15) or twenty (20), is very difficult, perhaps near impossible. So a plan that has you walking down a tightrope of essentially no net income until the early 2030s is begging for trouble, especially when your outlook for growth is as weak as ours has become."

As indicated in the response to Coalition/Manitoba Hydro-2nd Round-19, the twenty (20) year 3.95 percent plan makes inconsequential progress towards the Corporation's financial goals in the first -- in the first decade, notwithstanding assumptions of rate growth, sustained low interest rates, appreciation -- appreciating export prices, normal water conditions, and no further deterioration in capital costs.

Manitoba Hydro update with interim at Manitoba Hydro -- at MH-15 rates, that's appendix 1.3 to the rebuttal evidence, demonstrates the folly of the 3.95 percent plan. In the five (5) years following the in-service date of Keeyask, Manitoba Hydro actually loses close to $1 billion, increases its debt, and sees equity rate -- its equity ratio dropped to 10 percent, and moves further away rather than closer to its financial goals. It is only in the second decade of the plan that progress is made. That's assuming all of our forecasts are right, and they have to be right for more than a decade.

Ironically, that progress mirrors the progress made in one (1) decade under Manitoba Hydro's plan. The 3.95 percent plan effectively pushes the cost to the next generation. That is hardly intergenerational equity. It should not be overlooked that each of Mr. Bowman's 3.57 percent plan, as well as the 3.95 percent plans discussed by Mr. Harper and Mr. Colaiacovo take anywhere from two (2) to five (5) years longer to achieve the 25 percent debt target than what was discussed at the NFAT, in IFF14, or in IFF15.

The pattern should be clear. There is so little room for error in these plans that it's fair to expect at future GRAs the advice will be to start working towards achievement of its financial targets with a fresh new plan -- twenty (20) year plan each time.

The Bowman 3.5 -- 3.57 percent plan, or 3.95 percent or any derivative thereof all fail for the same reason. They make no progress whatsoever in the first ten (10) years, leaving all the work for ratepayers of the next seven (7) to ten (10) years, all in the name of fairness. They are also unrealistic plans. Fifteen (15), seventeen (17), twenty (20) years may as well be an eternity given the pace of change in our industry, and the range of potential outcomes in our income and cash flow due to things entirely beyond our control.

This Board should be very skeptical about the idea that further and dramatic rate increases aren't going to be required. The Board should also be skeptical that Intervenors really will support such a plan. We'd note that Mr. Bowman's plan produces net income of $640 million in 2034, then 800 million in 2035, but followed by 900 million in 2036. That's higher than any net income Manitoba Hydro is proposing in the next ten (10) years as we try to tackle a debt problem which has grown so far beyond what we ever thought it could at the NFAT.

When the time comes, will Intervenors really support that level of income? Of course they won't, which is exactly why any observer, like a bond investor, should be skeptical there is any commitment to bringing our debt under control if we don't take action now. The only thing in our control is debt which we have to manage through rates.

Slide 50. Manitoba Hydro has three (3)

primary financial targets: maintain a minimum equity of 25 percent, maintain a minute -- minimum EBITDA to interest coverage ratio of one-point-eight (1.8) times, and maintain a minimum capital coverage ratio of one-point-two (1.2) times. You've heard much debate about which ones are more important and which ones are flawed. Notwithstanding the limitations identified of individual metrics, Manitoba Hydro uses all of these to measure its financial health. They're inextricably linked, and together they tell a story of the Corporation's health.

Slide 51. When taken together with absolute levels of debt, reserves, and income the story is not promising under 3.95 percent rate path. Under that path, you can see that the equity ratio declined -- that the equity ratio declined through the entire ten (10) year period, bottom -- bottoming out at a razor thin equity of 10 percent in 2026. This indicates that equity is paying for less, and debt is paying for more of the asset growth on the system.

In other words, you're not making any contribution to your reserves. Your system is growing, your assets are growing, and your debt is growing rapidly, but your reserves are stagnant, which makes even less sense when you're reminded that your customer base is not expanding at all. In fact, net of DSM load is expected to shrink before returning to attend today's levels ten (10) to twelve (12) years from now.

Even with incremental revenues from Keeyask, the capital coverage ratio struggles after in-service, and it's just at or below the one-point-two (1.2) times target. And the EBITDA to interest coverage ratio under the 3.95 percent rate path is well below the one-point-eight (1.8) times target each and every year. If you look at it, it's almost 20 percent below.

Slide 52. Given the credit support provided by the Province of Manitoba, it's important that the Corporation remain self-supporting in the eyes of investors and the credit agencies in order to maintain the low cost of borrowing Manitobans have enjoyed. What is self-supporting? You've heard many views on that throughout the proceeding. It's ambiguous, but what you should be concerned about is what we really don't want to find out, because we don't want to find out the hard way what the precise definition is.

All we know is that a 3.95 percent path doesn't address Manitoba Hydro's financial challenges.

It exacerbates them. Maintaining that rate path in the face of worsening business conditions would send the wrong message to investors and the credit agencies. The 7.9 percent rate path doesn't resolve Manitoba Hydro's financial health challenges either, at least not immediately, but that doesn't matter. What is more important is that we make a strong start by granting 7.9 percent for 2018, and send the right signals.

Now, I'm going to move onto a bit of a new topic here and address operating and administrative cost. As part of this application, Manitoba Hydro has demonstrated that it -- it has implemented effective cost measures towards reducing the operating costs of the Corporation. Those cost measures include the elimination of approximately four hundred (400) operating positions between 2014/'15 and 2016/'17; the elimination of a further nine hundred (900) staff positions through a voluntary departure program; and lastly, the reduction of 30 percent in executive and 40 percent in senior management positions.

Overall, these cost measures have resulted in a total decrease of 1.8 percent in annual operating costs over the five (5) year period 2014/'15 through 2018/'19, as compared to one (1) point -- to a 1.7 percent annual increase in Manitoba CPI over that same period.

In addition to the cost measures, Manitoba Hydro is committed to achieve annual procurement savings through supply chain management initiatives. To date those initiatives have achieved savings of approximately $8 million, with estimated future savings between 20 to 50 million over the five (5) year period beginning 2718 -- 2017/2018. It is expected that approximately 7 -- 70 percent of the savings will be capital related and 30 will be operational.

Slide 54. As part of their written evidence to this application, London Economics recommended that Manitoba Hydro's rate increase -- Manitoba Hydro's request for a rate increase should be held in abeyance until further analysis of operating expenses is performed. Manitoba Hydro is very concerned with this recommendation, particularly given it's based on very preliminary and very inconclusive evidence.

In his oral testimony at page 6820 of the transcript Mr. Goulding from London Economics acknowledged that further analysis would be required to -- would need to be performed before any conclusions could be drawn. Manitoba Hydro is also concerned with the key performance indicators used by London Economics in their analysis comparing the Corporation's operational efficiencies with other utilities. We note that in making those comparisons London economics failed to provide any information as to whether the utilities' employee bases are comparable in nature to that of Manitoba Hydro.

It is of note that several of the metrics they had selected for making the comparisons will improve instantaneously once the Keeyask plant comes into service, and they reveal little about operational efficiencies. Overall, Manitoba Hydro would like to emphasize that the analysis as prepared by London Economics has limited value, as comparisons amongst utilities are typically very difficult due to the complex nature of utility operations and the myriad of factors that can influence the organizational structure, operations, and decisions of the utility.

The complexity in making comparisons of utilities is discussed by Dr. Yatchew at page 4475 of the transcript, where he stated:

"I mean, for Manitoba Hydro to

actually try to compare itself to
other utilities, not on the
outcomes, but really on the cost
side, it's a fairly challenging
exercise because of the unique
characteristics."

Slide 55. The last topic I'd like to address before the break and handing it off to Ms. Fernandes, is the notion that the NFAT or the last GRA ratepayers were promised a 3.95 percent rate increase. In the presentation by Manitoba Hydro's revenue requirement panel, Exhibit Manitoba Hydro-68, Ms. Carriere addressed the myth of the NFAT and 2015 GRA rate promise. At transcript page 714, she said:

"With respect to the rate
projections for each of the
development plans, Manitoba Hydro
was explicit in stating that the
rate plans presented were developed
for the purposes of comparing
development plans."

At transcripts page 715, she said:

"Manitoba Hydro emphatically stated
that minimum rate increases were
necessary under all plans."

At transcript page 716, she went on to say:

> "Importantly, Manitoba Hydro cautioned the NFAT panel that the rate projections set forth for each of the development plans was not applicable for ratesetting purposes."

At transcript page 17, Ms. Carriere noted that in the 2015 GRA:

> "Manitoba Hydro witnesses clearly indicated that if circumstances changed, the Corporation may be required to divert from the 3.95 percent rate path which was consistently called a minimum rate requirement in that proceeding."

At no point has Manitoba Hydro ever made rate promises based on its long-term forecasts, and has always been careful to distinguish between proposed and indicative rate increase projections, a distinction with that both Ms. -- the chairman and panel of the PUB have been acutely cognizant of throughout the proceeding -- throughout this proceeding.

In reality, forecasting is inherently unreliable. The further the forecast goes out, the less likely it is to be accurate. This view was confirmed by Daymark, where they said:

"The use of the forecast is really in understanding and preparing yourself for change. Forecasts are inherently wrong."

And that's at transcript page 3879. Historically in past orders the PUB has acknowledged and accepted that there is a risk of forecast uncertainty and no promise in the rate increases in Manitoba Hydro's applications, and in certain circumstances even in the rate increases approved by the PUB. Rate asks for 2.25 percent have been modified by the PUB to 5 percent. A 4 percent conditionally approved rate increase was lowered to 2.9 percent. It's gone both ways. And it depends on the circumstances of the day.

Indicative rates and IFFs are not promises. Rate applications are not promises. Sometimes even approved rates aren't promises. We cannot slavishly adhere to pass projections and at the same time protect the fiscal health of the utility or the interests of ratepayers. It just doesn't work that way.

We were reminded at this hearing that in the NFAT we had twenty-seven (27) sensitivity cases from which to consider the impacts of key variables ending up in -- ending up different than planned, which as it turns out is exactly what's happened. It's different than planned. Mr. Bowman's evidence includes footnotes wherein he reminds us that the worst of the downside cases from NFAT necessitated corrective action of 5.5 percent until 2032 in order to eventually restore Manitoba Hydro's balance sheet.

So we all knew this was a possibility that we were going to have to act, that the 3.95 percent plan might fail. It has failed. Our outlook has deteriorated. There's no sign of a miracle on the horizon. We have to act. That's the end of my section. Ms. Fernandez will be taking over. It may be a good time for a break now.

THE CHAIRPERSON: We'll -- we'll take a break now until eleven o'clock. Thank you.

MS. PATTI RAMAGE: Thank you.

--- Upon recessing at 10:41 a.m.

--- Upon resuming at 11:02 a.m.

THE CHAIRPERSON: Ms. Fernandes...?

MS ODETTE FERNANDES: Thank you, Mr. Chair, Board members.

The issue of rate affordability is an extremely difficult issue. The circumstances that create the issue of affordability are much more complex than the people in this room can resolve.

In commenting on the subject as a whole, I can do no better than to repeat and remind you of what Mr. Shepherd stated on the first day of the hearing. He stated:

> "You'll hear of Intervenors, individual customers and other organizations that low income customers cannot afford the proposed rate increase, and I empathize with these customers and groups. I know from personal experience there are many families who live with less than adequate resources. Many individual groups and communities that suffer from poverty. I've been to many First Nations communities. I've met with the leaders and community members. I've listened to

Elders. I know there is a real
problem, a real issue and all of us
should be embarrassed and perhaps
even ashamed at the living
conditions that some Manitobans are
in."

Manitoba Hydro does many things to help people in these situations, however, fundamentally, I believe the root cause of this problem is social policy and inadequate income. It's not directly electricity rates. Under the legislation governing Manitoba Hydro we're not allowed to set rates that differentiate by geography or density of population. This ensures that a residential customer in Brandon pays the same cost per kilowatt hour as one in Winnipeg, one in a rural residence or one living in Thompson.

I understand that a customer pays bills, not rates and the electricity bill for each customer is affected by whether they have access to lower cost gas heat, a home with better insulation, and whether there are two (2) people living in a home or three (3) generations. Manitoba Hydro has engaged with stakeholders and bill affordability studies and will continue to work with customers, organizations and governments. However, the issue of low income and a customer's ability to pay is not something that I think can be fully resolved during the rate-setting process.

We, at Manitoba Hydro, are not ignoring the issues related to bill affordability -- rate affordability. The staff at Manitoba Hydro are Manitobans as well. They are not indifferent. They are not insensitive and they care. And the efforts of Manitoba Hydro to address some of these issues to the degree it can are seen in the evidence provided during the course of this hearing. And I think it's important to highlight those efforts.

Mr. Paul Chard mentioned the equal payment plan which helps customers smooth their payments throughout the course of a year. More than one-quarter of Manitoba Hydro's electric customers are on this program. Customers who require additional assistance in budgeting or managing their bill payments are offered customized due dates and flexible payment arrangements and Manitoba Hydro works with customers to develop a repayment plan that works for them. Payment arrangements allow for payment of bills in a series of smaller instalments over time. And when payment plans are required for reasons of insufficient income, late payment charges are waived to ensure the customer's financial concerns are not compounded.

You also heard that there was an enhancement to the equal payment plan which arose directly as a result of the collaborat -- collaborative process that occurred last year. And this program will be introduced in 2018. This program is entitled the Energy Affordability Instalment Plan and it is designed to make arrears balances more affordable by spreading payments over a longer period of up to three (3) years interest rate.

You heard Ms. Colleen Galbraith refer to the Neighbours Helping Neighbours program and that program provides a financial grant to those facing a financial crisis. Ms. Galbraith explained that this program is done in partnership with the Salvation Army and that over eight thousand (8,000) grants have been offered to customers requiring assistance. The total amount of the grant as you can see in front of you is over $2.6 million. And when you look at the numbers, you can see that not only has Manitoba Hydro matched dollar for dollar the customer donations, Manitoba Hydro has also provided the shortfall that is required to meet the needs of the program and to ensure individuals receive their grants.

Manitoba Hydro's funding has been approximately $2.2 million, which translate into 88 percent of all expenses. And as you can see, the administrative expenses of the Salvation Army which is over $1 million has also been covered by Manitoba Hydro.

You have heard extensively about Manitoba Hydro's Affordable Energy program and this program assists lower income customers with energy efficiency upgrades and uses, what Ms. Colleen Galbraith referred to, as a multi-pronged approach. You'll recall that this program targets both homeowners and tenants and targets customers in hard-to-reach markets with a variety of tailored offerings using a variety of groups and other channels in order to reach customers.

And you heard that while the Affordable Energy program eligibility was initially based on LICO-125, Manitoba Hydro determined that the submission of tax documents was a barrier to participation in the program and, as a result, Manitoba Hydro made improvements, including not requiring income qualification for residents on First Nation communities and, as well, not requiring income qualifications for individual suites of an apartment block.

You also heard that some of the barriers were addressed by forming relationships with community groups, and that energy advocates from these organizations attend community events, canvass neighbourhoods to directly explain the benefits and bill savings associated with the Eligible Energy Efficiency upgrades.

The bill affordability working group identified key as -- strengths of the Affordable Energy program. One (1) of them included that energy efficient retrofits that had been completed -- and you'll -- you'll recall Ms. Galbraith advising you that as of October 31st, 2017 Manitoba Hydro had assisted over twenty-one thousand (21,000) lower income customers with energy-efficient upgrades.

Other key strengths are identified on the screen in front of you. They include how Manitoba Hydro has improved accessibility by minimizing the financial burden associated with upgrades. Manitoba Hydro has addressed eligibility by targeting gas and electric savings measures to low income customers and a reflection of savings demonstrating estimated annual bill reductions per customer from anywhere between thirty-seven ($37) annually to a hundred and -- to five hundred and fifty-six ($556) annually.

Manitoba Hydro takes significant effort in integrating their programs to ensure individuals who are struggling with energy bills can maximize the energy assistance available. In March 2017 to ensure increased participation, a mandatory joint application form for both the Neighbours Helping Neighbours and Affordable Energy program was created. And as noted by Ms. Galbraith since making it mandatory to apply to both the Affordable Energy program when receiving assistance through Neighbours Helping Neighbours in 2014, Manitoba Hydro has had a doubling of participation.

Looking specifically at what has been done with respect to Indigenous and First Nations communities, Manitoba Hydro is taking a comprehensive approach with respect to Indigenous demand-side management. Manitoba Hydro's Indigenous Power Smart program has been specifically customized to meet the unique needs of Indigenous communities. All homes located on First Nation reserves are eligible to participate because Manitoba Hydro does not income qualify residents. Upgrades to the housing stock are performed regardless of income level. A dedicated

Indigenous energy advisor works with an Indigenous communities band housing manager or housing designate to identify qualifying homes and recommend energy-efficient measures.

Manitoba Hydro has also made significant achievements in terms of insulation efforts under the Indigenous Power Smart program. All sixty-three (63) First Nation communities have been contacted for participation and forty (40) communities have completed all eligible insulation upgrades. As of October 31st, 2017, 86 percent of the estimated insulation market has been completed. And while that is a target market, you will recall that Ms. Galbraith advised that if new homes come to our attention that require insulations, those homes will be completed as well.

During her testimony Ms. Galbraith discussed the Water and Energy Saver program where customers were offered free basic energy savings measures. You heard her tell you that when Manitoba Hydro look to determine the uptake on First Nation communities, they found that the uptake was low. In response to that, Manitoba Hydro proactively launched the Indigenous Direct Install Initiative to provide those same free energy savings measures to every single residential dwelling on the sixty-three (63) First Nation communities. Ms. Galbraith advised you that all sixty-three (63) communities were contacted. That Manitoba Hydro pays the local labour -- labour to install these materials and that approximately one-third of the housing market has been completed.

In terms of the Manitoba Keewatinowi Okimakanak communities, as of October 31st, 2017, Manitoba Hydro has achieved a 24 percent completion rate in terms of homes receiving basic measures. And almost all identified homes, approximately 90 percent, have received insulation upgrades through the Indigenous Power Smart program.

Ms. Morrison also highlighted some of the other customized DSM initiatives which were offered to First Nation communities. She highlighted the community geothermal program and under that program, Manitoba Hydro worked with Aki Energy, a nonprofit Indigenous social enterprise funded by Manitoba Hydro, in order to install geothermal heat pump systems in residential homes.

As of July 2017, Manitoba Hydro has upgraded has -- has had upgrades installed in three hundred and forty (340) homes since the program began. In addition to this, Manitoba Hydro provides technical guidance and financing through its PAYS program to cover the upfront costs of installations. For homes where energy savings do not offset the financing costs of the geothermal systems, Manitoba Hydro will provide additional financial support. These communities invest in training local members to install the systems with forty-five (45) band members to date being trained and nine (9) accredited as install -- as installers.

Ask yourselves why these programs are working well. Why has Manitoba Hydro's current programs and offerings been successful for the Utility? The reason is because we have trained staff who have experience and a knowledgebase in the types of programs offered at Manitoba Hydro. They have created programs based on information they have access to. Staff have worked very well at creating partnerships with community groups, organizations and nonprofit enterprises who can assist Manitoba Hydro in moving these programs forward and -- because these community groups, organizations and nonprofit enterprises, they have the actual information in terms of who needs help.

Staff at Manitoba Hydro have implemented practical hands-on approaches in terms of addressing bill affordability issues where those appropriately fit with their training, their skills, their job functions and the data available to Manitoba Hydro.

Now, the work of the bill affordability collaborative process was a remarkable step forward in building the understanding of the issues and in terms of seeing the outcomes of some of the research which were contrary to assumptions held initially at the outset by some parties.

While there were time constraints on the process, it forms a solid base for improving the way these issues are addressed and for continuing to build a common understanding of the issues to continue to improve the programs and offering -- offerings in place at Manitoba Hydro.

You have heard how the bill affordability collaborative group shed life -- shed light on how difficult it can be at first instance to even define energy poverty. Dr. Mason advised you that in coming to the definition as presented in the bill affordability report, it occupied a significant amount of time. And you'll recall that on January 5th of 2018 a ratepayer panel was presented before you and during direct examination the legal counsel for the

Coalition presented the panel with a different definition of energy poverty: One would choose the spending of income on energy expenditures. And you'll also recall that a couple of the panel members gave their own thoughts on what it meant to be energy poor.

As a threshold, even coming to a definition of energy poverty is a problem because if you can't identify or can't get agreement on who you are going to help, you cannot even begin to help. You also heard how complex it can be to administer a bill affordability program. Throughout the course of this hearing, you have heard potential options being discussed. And you have heard about options that are neither sensible, practical nor appropriate. Options that are fraught with problems.

All of the options attempted to limit the amount of disposable income allocated to a customer's electricity bill. And while a majority of people would accept the fact that an income tested program is an effective way to go, you have heard the practical differ -- difficulties that goes along with that. First, you have to invite a customer to apply for the program and, as noted by Mr. Ma -- by Dr. Mason, he indicated that the challenge here is that a surprising number of people who are eligible do not apply. A tremendous amount of work has to go into encouraging people to apply. And then the other thing that occurs is that you have to have people re-apply every year because they have to refresh their income tax forms.

And while I won't go into detail, you heard Dr. Mason's comment in terms of not being able to simply link into the income tax database and that in order to use the database to determine eligibility, it has to be embedded within the tax form.

Another issue with using income is that you have to establish the threshold or yardstick that's going to be used. Some will argue that you should use a LICO-125 or some other type of LICO measure. Others will argue that you need to determine eligibility based on the percentage of income allocated to energy costs and you heard of the 6 percent and the 10 percent.

And just as a reminder, I mentioned earlier that the Affordable Energy program was -- the eligibility for that program was based on LICO-125, but in order to address the income verification barriers, we had to move away from that and we made some decisions not to qualif -- not to income qualify First Nation communities residents or individual suites in apartment blocks. And Manitoba Hydro did that in order to remove the barriers.

Now, you can create policies that satisfy one (1) category of customers but then completely miss another category of customers whose circumstances are arguably indistinguishable. And you heard Dr. Mason on this issue and he said, you'll see instances of where that does become a bit of a problem and it's a wide range. There's a debate over the concept -- sorry. There's a debate over the concept of energy poverty and the way we treat energy poverty.

The whole area of poverty has had a tremendous difficulty in grappling and coming up with absolute measures. And this continues to be an ongoing debate. It's a debate within Stats Canada. It's a debate within the academic literature. How do we measure poverty? Do we measure it relatively using something like a LICO or do we measure it absolutely using something such as a standard of minimum basket of good?

Now, one (1) of the recommendations that was also discussed during the oral portion of the hearing, was the implementation of a specific First Nation on reserve rate. Now, I'd like to remind you that Manitoba Hydro has undertaken efforts with respect to referent -- retrofits to housing on First Nations and I already briefly discussed that. So I won't go into that again.

You've heard a suggestion that you could qualify residents based on the use of a status card. And while that may assist some customers, it ignores the fact that some individuals with status cards may have a decent income or some may also be on social assistance, which may simply result in reducing the obligations of the federal government to pay for costs.

You also have the issue of individuals with status cards who may also live off of reserve. And what do you do when you have individuals under similar circumstances who live off of the reserve, but don't qualify, because they are not on the reserve? Then you also have to address the issue of other non-First Nation Indigenous peoples who do not live on reserve, and based on the recommendation, would also not qualify.

Something that's been missing in the discussion of the First Nation on-reserve rate is that steps were already taken more than a decade ago by the Province to address the high cost of electric service in Northern Manitoba. You'll recall the discussion that the cost to serve those individuals outside of Winnipeg was much higher, and uniform legislation specifically lowered those higher rates to the lower rate being charged to those living in Winnipeg.

You have also seen a proposal from Mr. Paul Chernick, who is a consultant retained by the Green Action Centre. Mr. Chernick's proposals actually compound the problem that I discussed previously. Mr. Chernick's proposal had a special rate for LICO-125 customers, a rate for LICO-125 customers with electric heat, and then a rate for non-LICO customers who also used electric heat.

And during his presentation, he had inserted a summary of his calculations on the impacts of all his proposals, and he did so in terms of cents per kilowatt hour, but if you do the calculation, if you -- if other non-LICO residential customers make up the difference related to the lost revenues of these three (3) special rates, it results in an approximate 12 percent increase to the energy charge of those residential customers who are not participating. And if you decide to ask other customer classes to cover the lost revenues associated with rates -- special rates for residential customers, the impact to the ene -- energy charge would still require a 3 percent increase to that energy charge to all of those other customer classes.

And besides those issues, one (1) of the other major issues is that Mr. Chernick did not provide a proof of revenue. Now, the proof of revenue is required to actually show if the rate design proposal was recovering the revenue requirement of Manitoba Hydro. Mr. Chernick simply indicated that he hadn't contacted the analysis.

And you also heard some comments with respect to simply going with Mr. -- Mr. Chernick's proposal, and then we'll address issues and fix it later. Well, you heard comments from a couple of the other consultants with respect to that. You heard that when you're setting up processes and rates that are going to affect everyone in the Province, you want to make sure it's road ready, and you aren't going to run off the rails right away, and that was indicated by Mr. Harper. And then you also heard Mr. Raphals indicate that you need to have really done the homework and you need a fully defined program before it's even implemented.

Now, all of the options discussed during the course of this hearing have clearly shown that any non-participating customer will have to make up the difference in order to ensure that Manitoba Hydro requires all of the lost revenue loss associated with these types of programs. We will also note that the administrative charges associated with running those programs have not been quantified in any of the discussions. The closest -- the closest example that has been put on the record in these proceedings is from the Neighbours Helping Neighbours program. And while the slide has been -- was shown earlier on, you'll recar -- you will recall that the administrative costs for that program alone was about 30 percent.

The options that have been discussed in the evidence pre -- presented before this Board require the PUB to choose between very important issues. The Bill Affordability Collaborative Process Summary Report summarized the issue of energy poverty and bill affordability very clearly at page 33. They indicated that the working group's findings further illustrate the deeply complex, multifaceted nature of energy poverty. Energy poverty spans issues of income, geography, cultural identity, family size, awareness of available support programs, and more. The working group's findings make it clear that no single initiative or program will solve the issue of energy poverty.

Dr. Mason's conclusion was that running an income assistance program is extremely complicated. It's high cost, and it requires a whole range of expertise that is typically not embedded within Hydro. It's typically embedded within the income assistance programs of the Province, which have a -- which have better access to information. Manitoba Hydro does not have, nor is it likely to obtain, critical information that will allow it to target rate support programs accurately. Manitoba Hydro is not currently equipped, and is unlikely to run an income-tested program effectively.

Manitoba Hydro understands that we all want to do something, but we caution that we should not be tempted to do something in the moment just because it feels good. Manitoba Hydro is asking that you don't set anyone up for failure. Please don't make a decision that will make it worse for customers by having Manitoba Hydro attempt to run a rate support program when you have heard that Manitoba Hydro does not have the resources, data, or expertise to run it.

You'll recall that one (1) of the most well-developed rate assistance programs was in the state of Pennsylvania, and during the course of the hearing, you heard during cross-examination that an evaluation of that program showed that only 46 percent of eligible households participated, and of that 46 percent of eligible households, the level of participation was the lowest among the lowest income customers.

Don't make it worse for customers by having a program that will result in certain customers being left behind. That may result in customers who require assistance but who do not apply paying additional dollars for other customers who have applied. That will result in customers who don't meet a certain threshold, even though they may also require assistance, having to pay more for those customers who do meet the threshold.

You have not heard Manitoba Hydro suggest that we are doing too much or that we need to reduce or eliminate our programming. That's not what we have said at all. Manitoba Hydro is committed to doing what it can within its power. Manitoba Hydro asks you to look at what works and what has been successful. Where we have the data, we have continued to improve programs and listen to customers in terms of what ways we can effectively and successfully assist them, and you've seen that in the modifications made to programs, as well as the creation of initiatives to deal with low uptakes to programs, and you heard Mr. Shepherd testify that we will continue to work with our customers, other organizations, and governments in terms of continuing to assist where we can.

Now, this is an administrative proceeding, and I am a lawyer, so I have to conclude this discussion with a small reminder. Manitoba Hydro is aware that in PUB Order 73/'15, the PUB noted that it remained of the view consistent with the findings in Order 116/'08 that it had the jurisdiction to order the implementation of a bill affordability program. Manitoba Hydro's full legal argument is contained in the written document that was provided to you earlier. Suffice it to say that its legal position has not changed since the last GRA.

Manitoba Hydro has a continuing concern that the PUB's conclusion in Order 73/'15 cannot be reconciled with the current applicable statutes in Manitoba. Further, this jurisdictional issue remains untested in the courts of Manitoba. If the PUB wants to do something or see something done, Manitoba Hydro is supportive of doing what it can within its mandate. Manitoba Hydro will come to the table, but Manitoba

Hydro is firmly of the belief that the Province is the appropriate party to take the lead in terms of addressing poverty.

There was a bit of discussion during the course of the hearing with respect to what should be ratepayer-funded and what should be taxpayer-funded, and Manitoba Hydro suggests that the issue of poverty is an issue which is more appropriately dealt with by the taxpayer, otherwise the impacts of dealing with poverty in terms of setting electricity rates are going to be felt by the remaining ratepayers.

Now, other rate design and cost of service matters are addressed in our written argument, and I would just like to briefly mention the other side of the spectrum. During the oral portion of the hearing, you have heard that certain customer classes are paying too much, or it has been suggested that it's more than their fair share, and the revenue to cost ratios are used to reflect this. And we've shown the RCC ratios as a result of PCOSS18 in the chart in front of you.

Firstly, you'll note that Intervenors who offered comments on the cost of service study methodology appear to share the view that changes made for PCOSS18 were consistent with PUB direction in

Order 164/'16, and that any outstanding matters were relatively minor. Manitoba Hydro does not believe that this is the hearing to take next steps with respect to the cost of service study, and our full comments are included in the written argument.

We remind you that similar to the options proposed for bill affordability, any adjustment to one (1) customer class downward will inevitably lead to an upward adjustment to the oth -- to the other customer classes. You will also see in front of you on the chart the results shown that when Bipole III comes into service, all but one (1) customer class comes within the 95 to 105 percent zone of reasonableness.

Now I will pass the mic back to Ms. Ramage so she can conclude.

MS. PATTI RAMAGE: We're on track for the morning. That's the good news. We must be mindful of the impact of a 7.9 percent increase in electricity rates on the provincial economy. Dr. Janice Compton and Dr. Wayne Simpson were correct in -- in concluding that if one assumes, and that's if one assumes that the entire amount of the money raised in the increases sent in turn by Manitoba Hydro to creditors outside Manitoba to pay interest, and principal, and debt, a consequence will likely be that fewer jobs will be created in Manitoba. There will, using this assumption, be less money circulating in the Manitoba economy.

However, the precise impact on job creation of a rate increase of 7.9 percent for one (1) year commencing April 1st, 2018, is debatable, and was exaggerated by the model used by Drs. Compton and Simpson. Their initial work ignored that some resi -- residential customers will draw on savings to pay for an increase in electricity, which will reduce the amount of money leaving the Province.

Their model also did not capture the adjustments that will be made in the labour market. Some firms may be put on -- may put on hold plans to hire more, or -- or indeed, may decrease the level of their workforce. In response, other firms may take advantage of the increase in the supply of labour and the downward pressure on wages to increase the size of their labour force. To the extent that the number of unemployed persons rise, so will the money flowing into Manitoba on account of employment insurance from the federal government.

A much more modest and realistic estimate was provided by Drs. Compton and Simpson, who, in the end, suggest that in the next year, there might be something less than eighty (80) jobs that will not materialize that otherwise might have. One must avoid confusing slower job creation following an increase in the price of electricity with a decline in growth of Manitoba's economy. Since 2009, the price of electricity in Ontario has grown by 50 percent, well in excess of the proposed increase of 7.9 percent. Notwithstanding a much larger increase, Ontario's economy has continued to grow.

And to those commercial customers who suggested they might curtail plans for expansion, or cut back production, or pack up and leave Manitoba in response to a 7.9 percent, I invite you to look again at Appendix 4 to Dr. Yatchew's paper. It sets out some -- some three (3) pages -- in -- in three (3) pages, the proportion that electricity bears to the overall cost of each of the industries and businesses in Manitoba's economy.

With the exception of six (6) industries, electricity is less than 5 percent, in many cases, less than 1 percent of the cost of doing business. An increase in the price of electricity of 7.9 percent on April 1st, 2018, will have a far more mod -- a far more modest impact on these businesses than an increase in the price of a host of other commodities that they buy, or changes in the exchange rate, or, most significantly, an inte -- an increase in interest rates.

Indeed, Dr. Yatchew observed in his presentation that:

"About 60 percent of Manitoba energy is from hydrocarbons."

Although this compares very favourably with the rest of Canada, it nonetheless reveals that Manitoba's economy continues to be far more vulnerable to the impacts of increase in the price of harbo -- hydrocarbons than to the impact of an increase in the price of electricity.

Slide 76. As for the rest of Canada, I'm showing -- I'm going to show two (2) slides from my client's opening presentation on December 4th. It compares the first -- it compares the rates for electricity in Manitoba with the road -- with the rates -- with the rest of Canada. We have the second-lowest residential rates, and that's a monthly comparison, a proposed seven (7) -- at the proposed 7.9 percent rate increase.

We could go to slide 76. We have the lowest industrial rates, and again, that takes into account the 7.9 percent rate increase. So I suggest to you that no one is going to leave Manitoba this year because the rates for electricity in this Province are too high.

Well, we're into the home stretch. Now I'm going to address the treatment of regulatory deferral accounts. Under IFRS, the financial statements of a Utility must reflect the impact of regulatory decisions when the timing of the recognition of the revenue or expense item for rate-setting purposes is different than the timing required for financial reporting purposes under IFRS.

Notably, for the Utility to represent the complete impacts of regulatory decisions in its financial statements, it's not sufficient for the regulator to only direct on the amounts to be deferred but the regulator must also stipulate the timing over which the deferred amounts are to be recovered for rate-setting purposes.

As part of the annual audit of Manitoba Hydro's financial statements, Manitoba Hydro's external auditor is required to ensure that the decisions of the regulator are accul -- accurately represented in the Corporation's financial statements. The primary source of audit evidence used by the auditor to perform this task is found in the information contained in the PUB's orders.

Slide 79. Total costs incurred for the study of the Conawapa generating station are approximately 300 million -- $380 million. Given that Conawapa is not an option that Manitoba Hydro will be pursuing, the accounting standards would require Manitoba Hydro write off these costs as an expense in the current year. As such, Manitoba Hydro anticipates it will be required to wrote off 30 -- 380 million in its 2017/2018 fiscal year.

In order to minimize the impact on customer rates of expensing $380 million, Manitoba Hydro is recommending to establish a regulatory deferral and to amortize the amount for ratesetting purposes of over thirty (30) years -- for over a period of thirty (30) years. Notably, that thirty (30) year period was supported by Mr. Harper in his evidence.

Now, going back to my previous slide on the role of the regulator and just to emphasize the point, should the PUB direct Manitoba Hydro to defer and mana -- and amortize the Conawapa costs over a period of thirty (30) years, our external auditors will be looking to find this in the PUB Order as evidence to support the deferral and amortization amounts presented by Manitoba Hydro's financial statements.

Slide 80. Upon its transition to IFRS, Manitoba Hydro changed to the ELG method of depreciation in order to comply with the more strict requirements of IFRS as it continues to -- pertains to calculating depreciation. Given that the transition to IFRS resulted in an initial annual increase in depreciation expense of approximately $30 million, the PUB directed Manitoba Hydro to continue with its existing CGAAP ASL meth -- method of depreciate -- depreciation for ratesetting purposes until at least Manitoba Hydro is in a position to provide an IFRS compliant ASL depreci -- depreciation study for comparison to the ELG method.

In the interim, Manitoba Hydro has established a regulatory deferral account to defer the annual difference so as to ensure that the CGAAP ASL method of depreciation is being used for ratesetting purposes for the test years. While Manitoba Hydro has establish a deferral account, it is -- it is not seeking approval from the PUB of the amortization amount period of this account at this time.

Slide 81. At the end of the day,

Manitoba Hydro's preference would be to have a single method of depreciation so as to avoid the excessive growth that is expected in this deferral account and to avoid the ongoing administrative costs associated with having to maintain two (2) sets of records for calculating ELG and ASL depreciation balances. These administration costs are only expected to increase going forward as Manitoba Hydro continues to add and replace plant assets.

Having said that, Manitoba Hydro does recognize that it's not going to get to a single method of depreciation without first addressing the prior directives of the PUB. With respect to completing IFRS compliant ASL -- an IFRS compliant ASL based depreciation study, there are issues that need to be addressed. And as such, given the specialized and technical nature of this subject matter, Manitoba Hydro is supportive of an alternative process with the PUB where the issues can be explored in more detail towards finding a resolution.

Slide 82. Upon its transition to IFRS, Manitoba Hydro was required to capitalize less overhead costs in its property, plant, and equipment assets. In Order 73/'15 the PUB directed Manitoba Hydro to continue to defer -- to defer $20 million annually in overhead costs for ratesetting purposes. This was intended to be consistent with Manitoba Hydro's pre-IFRS accounting practices. Based on Order 73/'15 Manitoba Hydro is proposing to annually defer the $20 million in overhead costs and amortize them over a period of twenty (20) years.

Slide 83. Notably, the information provided in Order 73/'15 did not provide direction as to how long Manitoba Hydro should continue to capitalize the $20 million in eligible overhead costs. Although Intervenors have recommended that the deferral should occur indefinitely, such a recommendation is not appropriate in this situation as once the amortization period has been reached.

For example, say twenty (20) years, the annual increase in the deferral of $20 million will equal the annual amortization of the deferral of $20 million, such there will be no income -- here will be no impact on net income and, therefore, no impact on customer rates. As I discussed earlier, Manitoba Hydro would be supportive of finding an alternative process to a GRA for discussing this issue in more de -- detail so we can move it closer to resolution.

Next slide 84. IFRS requires that gains and losses resulting from the disposition or retirement of assets be recognized immediately in net income. Under CGAAP Manitoba Hydro deferred asset retirement gains and losses and amortized them to income over the remaining life of the asset pool from which the asset was retired.

PUB ordered -- Order 73/'15 directed Manitoba Hydro to maintain its existing CGAAP ASL method of depreciation and, therefore, for ratesetting purposes Manitoba Hydro is proposing to comply with the directive of Order 73/'15 by continuing to defer asset retirement gains and losses and amortize them to income over a twenty (20) year period. Notably, that -- the twenty (20) year period was supported by Mr. Harper at page 41 of his evidence.

Lastly, the Bipole III deferral. Directive 3 of PUB Order 43/'13 directed Manitoba Hydro to defer the recognition of income of a percent of approved rate increases. These deferred revenue amounts are to be recognized into income at a later date to offset additional costs that will occur when Bipole III comes into service. We discussed these earlier in the presentation.

Such costs consist primarily of depreciation, finance, and operating and administrative costs. Subsequent to Order 43/'13, Orders 49/'14, 73/'15, 59/'16, and 80/'17 also directed that a certain percentage of the approved rate increase be set aside to offset Bipole III related costs.

Effectively, Manitoba Hydro has been receiving the cash revenue associated with the approved rate increases each year, but for accounting purposes has not been recognizing the portion of the revenue designated to offset the Bipole III costs into income. Instead, Manitoba Hydro has deferred the recognition of these revenues into what we call the "Bipole III deferral account."

The deferral account is projected to grow to approximately $400 million by the time the Bipole III plant goes into service. Manitoba Hydro is proposing to then recognize that $400 million in income on a straight-line basis over a five (5) year period from 2018, year Bipole goes into service, through to 2023. The 2023 date coincides with the final -- final Keeyask in-service date.

The five (5) year recognition will use the revenue accumulated in the deferral account to offset additional costs associated with the Bipole III plant for the first five (5) years of its life, and then the additional export revenues from Keeyask generating station will be available to some extent to offset those same cost going forward from 2023.

Notably, the period over which revenue in the Bipole III deferral account will be recognized will have no impact on cash or debt -- or the cash debt position of Manitoba Hydro, as the cash has already been collected via prior years rate increases. It will also have no impact on the debt equity ratio calculation, as the amounts collected have already been included in the de -- debt equity calculation. With no impact on debt and no impact on debt equity ratio the recognition period, five (5) years or otherwise, will have no impact on customer rates.

Now, there are also a number of other specialty rate approvals being sought in this process, as well as finalization of the Surplus Energy Program and Curtailable Rate Program interim orders. The interim orders are listed in appendix 17.1 of Manitoba Hydro's written argument. And I don't believe any party, aside from Board counsel, addressed these matters during cross-examination. And I was not intending to address these unless an Intervenor takes a contrary position in their final submission.

With respect to diesel rates, Manitoba Hydro has not received a copy of the finalized diesel agreement and as such, we are not in a position to have these rates approved as final.

Mr. Chairman and members of the panel, that concludes this portion of Manitoba Hydro's oral argument. Manitoba Hydro submits that it has established that a 7.9 percent increase is not only required for April 1st, 2018, it's critically required. Manitoba Hydro does not have the cash today to pay its normal expenses and meet its legal obligation to maintain reserves.

Bipole is coming online this year. It adds in excess of $300 million to revenue requirement. The need is unavoidable and it's indisputable. The plans advocated by Intervenor witnesses did not address the cash flow problem. Intervenor evidence chose to avoid, for the most part, challenging the reality of Manitoba Hydro's cash flow dilemma and chose instead to attack Manitoba Hydro's plan, no doubt it's because it's easier to attack the plan.

Unlike the recent history of insufficient cash, the plan requires dependence on forecasts, assumptions, predicting the capital markets, debating debt ratios, and analyzing complicated financial metrics, all of which not only detracts from today's harsh reality and takes us into a more theoretical world where more -- most of us not only struggled to keep up, we struggle to keep awake.

No witness has told us why Manitoba Hydro does not need a 7.9 percent increase on April 1st. The reason they haven't done so is be -- because they can't. We absolutely need this rate increase in 2018. There will be no rate increases beyond 2018 without Manitoba Hydro coming back to this Board.

When we do we will be a little bit further down the road. We will have a little more information on the performance of the export market, on domestic loads, on interest rates, on the costs of our major capital projects. We'll have all of that before you are called upon to make next year's rate decision.

While we are confident our long-term financial plan represents the proper balance between the fiscal health of the utility and the interests of its ratepayers, the fact remains: the only decision you have to make today is whether a 7.9 percent rate increase effective April 1st, 2018, is in the public interest. This isn't said to minimize the importance of your decision whatsoever. I think Mr. Shepherd summed it up best when he said, at transcript page 242:

"And we need to get us on the right path. We do need a commitment to restoring our balance sheet, but the exact path can't really be known today. It can be adjusted going forward as circumstances warrant. But what is for sure, if something goes wrong in our plan, and let's be clear there are plenty of risks in the plan, we are not going to be able to go back in time to revisit today's choices."

Thank you for your time and for listening. This has been challenging. We have never presented before Intervenors before. We've attempted to anticipate as many issues as we could, but later this week we'll hear from Intervenors, and once we've heard their positions and their legal arguments we will provide our reply. I believe that's on Valentine's Day, a week Wednesday, and when we are done that will be the best Valentine's Day I will have ever had.

THE CHAIRPERSON: Thank you, Ms. Ramage. I think that's one (1) thing all of us can agree upon. I'm going to ask the panel if they have any questions. Yes? No?

THE VICE-CHAIRPERSON: I just have one (1), Ms. Ramage, and at the risk of sounding like a broken record, on the very first day when you made your opening comments I asked you about the three-point-three-six (3.36) interim increases. And you said that they would be addressed during this hearing. And then I think I heard you day -- today say that the thee-point-three-six (3.36) are not a challenge for us because you're not asking us to increase those rates. But there's always an option of decreasing an interim rate also.

And in particular for the August 1st, 2017, rate I'm just not clear where you presented the evidence that the three-point-three-six (3.36) interim rate should be maintained.

(BRIEF PAUSE)

MS. PATTI RAMAGE: Thank you, Ms. Kapitany. I think the intention of Manitoba Hydro with respect to the August 1st, 2017, rate increase is -- was recognizing in terms of challenges with respect to Manitoba Hydro not revisiting it on an increase basis.

And in terms of a decrease basis, because we were moving forward cumulatively and giving -- given the demands that are on this Corporation, effective immediately with the Bipole III, certainly I was thinking that that rate increase came into that -- that discussion, by virtue of the fact that all of the evidence suggests that we are cash poor. We were cash poor -- we were cash short in the previous year. We are cash shor -- short in the previous year to that. And so that's how I thought that was addressing that piece of it, was analyzing the last two (2) years of the cash deficiency.

THE VICE-CHAIRPERSON: I guess for me it just highlights the difficulty of interim rate increases, is all I would say about.

MS. PATTI RAMAGE: I would agree that interim rate increases are a challenge, I think, for this Board. And they're a challenge for Manitoba Hydro. And it's something that I think Manitoba Hydro would like to address once this is done, is how to get out of this cycle because we've seen how demanding this process is and the thought even of starting -- to start, we have to get right back into it. And I think that's something that Manitoba Hydro and this Board can hopefully work together to get us out of that cycle. We want to be out of it.

THE CHAIRPERSON: I've got two (2) questions work, one (1) for you, Ms. Ramage, and one (1) for Ms. Fernandes. Kristen, can you go to slide 44, please. Slide 44, your middle budd -- bullets says 7.9 percent April 1st, 2018, is the beginning. When we started with this application, I think everybody will agree that what we were dealing with was confirmation of a 3.36 percent increase, and an application for 7.9 percent interim, and a 7.9 percent GRA for '18.

We granted 3.36 percent and the response of Manitoba Hydro was to provide us MH-16 update, which changed five (5) years of 7.9 percent and then moving to 2 percent, to six (6) years of 7.9 percent, one (1) year of 4.54 percent and then moving to 2 percent, all within a ten (10) year financial plan. Your comment was -- related to Mr. Shepherd, where -- where you made comment, "The exact path can't be known today." That was right at the end of your -- at the end of your statement.

And I guess the question I have is -- I guess the statement I would make is we haven't even begun to move to a decision-making process and won't -- we will only do so once all of the submissions are completed. But I'm wondering if Manitoba Hydro could advise if this Board were to grant Manitoba Hydro less than 7.9 percent increase for 2018/'19, is it Manitoba Hydro's intention at this time to retain the ten (10) year financial plan and add any difference of less than 7.9 percent to a later amount all within the ten (10) year financial plan. I know -- I know before I was the one (1) who made the statement in terms of, You can apply for whatever you want. We're dealing 7.9 percent.

But the question is, is -- are we looking at ten (10) years? A ten (10) year financial plan? Or is it something you re-examine after -- after we issue the Order?

MS. PATTI RAMAGE: My experience at Manitoba Hydro has been it's always re-examined after the order, that every year we develop and update our finance -- our integrated financial plan. So I certainly know whi -- while the Corporation has a very strong feeling behind its financial plan right now, when we get that order -- ultimately the order -- they'll reassess. It may come back that we ask for more the next time. It's going to depend on the circumstances of the day.

THE CHAIRPERSON: Thank you. Thank

you. Ms. Fernandes, I was listening to your comments about bill affordability, and there's just one (1) piece and I think it may be more on my side than your side.

Is it the position that we have the jurisdiction to issue a directive for Manitoba Hydro to start a program -- sorry -- that we do not have the jurisdiction? Or is it the position that we do have the jurisdiction, but it would be better for us to make a recommendation to the provincial government that it start a program, if we decide to look up at -- at anything on bill affordability?

MS. ODETTE FERNANDES: Manitoba Hydro's position on a legal basis is that this Board respectfully does not have the jurisdiction. And in terms of whether to make a recommendation to government, as you've indi -- as you've heard in our comments, we do believe the province is the party in the best position in terms of assisting -- providing assistance in terms of bill affordability and poverty.

THE CHAIRPERSON: Thank you. I'll ask if anybody else has some questions. If not, we have another thirty (30) seconds. No. Thank you -- thank you very much to all of you for your presentations.

We're going to adjourn now until 9:00

a.m. Wednesday morning when we will have the beginning of submissions from Intervenors. Thank you.

--- Upon adjourning at 12:00 p.m.

Certified Correct,

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Cheryl Lavigne, Ms.