

July 20, 2018

VIA EMAIL

Ms. Patricia J. Ramage
Legal Counsel
Manitoba Hydro
22 -360 Portage Avenue
Winnipeg, MB R3C 0G8

-and-

Approved Interveners
(per attached list)

Dear Parties:

Re: Manitoba Hydro GRA Post-Hearing Process Matters

The Public Utilities Board (“Board”) has issued its Order 59/18 in the Manitoba Hydro 2017/18 & 2018/19 General Rate Application (“GRA”) as well as Order 90/18 in Manitoba Hydro’s Application to review and vary Orders 59/18 and 68/18. At this time, the Board is initiating a post-hearing process consistent with the Board’s commitment to a continuous improvement process and further to Board Directives in Order 59/18.

As indicated by the Chair at the conclusion of the hearing, the Board welcomes all parties in the GRA process to provide written comments, criticisms, and constructive suggestions of a general or specific nature on any matters related to the following:

- Process used in the 2017/2018 & 2018/2019 GRA
- Process considerations for the next GRA filing

Comments, criticisms and suggestions should consider (but need not be limited to) minimum filing requirements, the content of the Application, the scoping of issues and development of the issues list, the treatment of confidential information, technical

conferences or workshops, information requests, pre-filed evidence of experts, and ways to enhance public consultation.

The Board invites parties to provide their written comments on or before **August 24, 2018** for the Board's review and consideration.

The Board is also seeking to streamline its procedure for Manitoba Hydro's next GRA filing. As part of the process, the Board is advancing a draft Preliminary Issues List, attached as Schedule A to this letter. The Board invites all parties to provide their written comments on the scope of the issues. Following the receipt of comments, the Board may issue an interim Order with the Issues List. A final Issues List will be issued following the Pre-Hearing Conference.

Comments on the draft Preliminary Issues List are to be provided to the Board with copy to all parties on or before **August 24, 2018**.

The Board will consider performance measurements in future GRAs, measuring Manitoba Hydro's performance from previous years as well as comparing proposed outcomes to realized outcomes. The Board invites all parties to include in their comments specific areas where Manitoba Hydro's performance should be measured against a baseline, even if such a baseline does not currently exist.

Please address any questions you may have at this time to the attention of the writer.

Yours truly,

"Original Signed By;"

Kurt Simonsen
Associate Secretary

KS/kl

cc: Bob Peters, Board Counsel
Dayna Steinfeld, Board Counsel
Roger Cathcart, Board Advisor
Brady Ryall, Board Advisor
Liz Carriere, Manitoba Hydro
Shannon Gregorashuk, Manitoba Hydro
Odette Fernandes, Manitoba Hydro

Schedule A

2019/20 Manitoba Hydro General Rate Application

Draft Preliminary Issues List

The following issues will be considered within the scope of the 2019/20 GRA in the normal course:

1. Rate increase requested
2. Financial targets and pacing
3. Cash flow and Order 59/18 Directive 10
4. Changes in finances and financial assumptions since Order 59/18
5. Interest rate forecast
6. Debt management strategy changes since Order 59/18
7. Export revenue forecast
8. Load forecast and Order 59/18 Directive 11
9. Depreciation expense (revenue requirement) changes since Order 59/18
10. Major new capital update since Order 59/18 and Order 59/18 Directives 15 and 16 and Recommendations to Manitoba Hydro 5 -8
11. Business Operations Capital update since Order 59/18 and Order 59/18 Recommendations to Manitoba Hydro 1 -2
12. DSM Deferral Account review of disposition of the regulatory asset and liability and Order 59/18 Directive 23
13. DSM spending in the test year, assumptions in the forecast, and Order 59/18 Recommendation to Manitoba Hydro 9
14. Differentiated rates and Order 59/18 Directive 5
15. Cost of Service Study and compliance with Orders 164/16 and 59/18
16. Special rates
17. Compliance with Board Orders and Order 59/18 Directive 37

The following issues will require more detailed consideration at the 2019/20 GRA:

1. Impact on consumers and bill affordability
2. Macro-economic impacts
3. Independent consultant assessment of the development of an asset management program further to Order 59/18 Directive 14
4. OM&A update since Order 59/18 and Order 59/18 Directives 12 – 13 and Recommendation to Manitoba Hydro 4
5. Implementation of First Nations Residential On-Reserve Customer Class
6. Rate design including time-of-use rates (Order 59/18 Directive 29) and declining block General Service rates (Order 59/18 Directive 28)
7. The Solar Energy Program and the sale by non-utility generators of excess power to Manitoba Hydro, including load displacement, bidirectional metering, and Demand Side Management programs (Order 59/18 Directive 30), and the Board's jurisdiction to set the rate paid by Manitoba Hydro (Order 90/18)

The following issues may be deferred from the 2019/20 GRA to future applications, or will be the subject of a technical conference or another process:

- 1.Risk and uncertainty analysis and Order 59/18 Directive 9
- 2.Diesel zone rates and Order 59/18 Directive 36
- 3.Manitoba Hydro performance measurement
- 4.Disruptive Energy Resources and potential future effects on rates and ratepayers

The following issues will be out of scope at the 2019/20 GRA:

- 1.Interim rate
- 2.Fiscal health of the Province of Manitoba
- 3.Appropriate capital structure and debt-to-equity target for Manitoba Hydro
- 4.CFO to Capex ratio analysis
- 5.Credit rating, absent changes from Order 59/18
- 6.Previous plan to change debt strategy re shorter term to maturity
- 7.Treatment of Conawapa costs
- 8.Ineligible overhead
- 9.Depreciation methodology (ELG vs ASL) unless Manitoba Hydro has complied with Order 43/13 Directive 9
- 10.Results of Bill Affordability Working Group unless further developments since Order 59/18
- 11.Disposition of the Bipole III Deferral Account
- 12.Marginal cost calculation methodology
- 13.Curtailable Rate Program
- 14.DSM Program Design