

George J. Orle Q.C.  
Direct line (204) 989-2764  
E-mail [gorle@odqb.mb.ca](mailto:gorle@odqb.mb.ca)

**Barristers & Solicitors**

George J. Orle Q.C.\*  
Victor E. Borgen\*  
John A. Davidson\*  
Jeffrey L. Brown\*  
Arne Peltz\*  
Shannon Breckman  
Dean Richert  
Sarah R. McEachern  
Laure Moody  
Articling Student-at-Law  
William P. Riley Q.C.  
(1933-1998)

\*Legal Services provided  
by a Law Corporation

Darren Christie, MPA, B.A., CCLP, P. Log., MCIT  
Secretary and Executive Director  
The Public Utilities Board  
400 - 330 Portage Avenue  
Winnipeg, Manitoba  
R3C 0C4

Dear Mr. Christie:

**Re: MKO Request for Reconsideration – Scope of MKO Intervention  
Board Order 18/15, February 9, 2015**

Further to the Board's Order No. 18/15, MKO provides the following requests and rationale for reconsideration of the following three matters set out at page 22 of Order 18/15 in respect of the approved scope of the intervention of MKO:

1. In respect of the matter of the "2 meters per Manitoba Hydro employee house north of the 53<sup>rd</sup> parallel" issue, MKO recognizes that the explanation of this matter set out by Manitoba Hydro in NFAT Exhibit MH-181 is to provide an employee benefit to Manitoba Hydro employees, as follows:

*"One meter is for heating. As the accommodations vary with respect to energy efficiency and building standards, heating costs will also vary widely. As such, to maintain equity amongst employees, they are charged a flat rate for heat, which is deducted through payroll deduction. That flat rate is derived from the lowest average heating costs in Winnipeg, adjusted annually." [emphasis mine]*

It has been established that the Manitoba Hydro electricity bills in the MKO First Nations are much higher than for a comparable home, business or facility in the areas served by natural gas. It has also been established that these differences in bills are strongly influenced, if not primarily influenced, by the inability of customers in the non-gas service area to switch from electricity to natural gas as a source of home, business or facility heating.

As noted in MKO's closing summation in the Interim Rate Application (and in the NFAT proceeding)

*Manitoba Hydro confirms at MKO/MH I-4 that no MKO First Nation receives natural gas services or supplies from the Manitoba Hydro/Centra Gas natural gas distribution system. Therefore, the MKO First Nations are not able to benefit from a reduction in their bills by switching to natural gas as the primary source of home heat.*

*On April 25, 2014, and in response to the Elders and Traditional Land Users Panel presented by CAC (Manitoba) during the Manitoba Hydro NFAT proceedings, Manitoba Hydro circulated MH-181 which confirmed that the dwellings of Manitoba Hydro employees in Gillam are equipped with two meters in order to separately meter electricity used for home heating. Based on a review of MH-181, it is MKO's understanding that the purpose of this dual metering is to apply a preferential electricity rate which charges Manitoba Hydro employees a "flat rate for heat". MH- 181 states that this "flat rate" is "derived from the lowest average heating costs in Winnipeg, adjusted annually".*

*Subject to further clarification by Manitoba Hydro, it would appear that the determination of the "lowest average heating costs in Winnipeg" as set out in MH- 181 in the NFAT proceeding would be based on the cost of using natural gas as a source of home heat, as it is well established that natural gas is the lowest cost source of home heat in Winnipeg.*

It has been an important objective of MKO in the current proceeding to explore Manitoba Hydro's actual calculation of the flat heating rate applicable to Hydro's employees that is "derived from the lowest average heating costs in Winnipeg, adjusted annually".

It is MKO's expectation that the price per kilowatt hour for the flat heating rate applied to Hydro's employees north of the 53<sup>rd</sup> parallel will reveal the difference in the effective cost of a kilowatt hour of electricity used for heating and the "equivalent to gas heating rate", which importantly, would also be expressed in kilowatt hours.

MKO also recognizes that the billing data arising from use of two meters on the homes of Hydro's employee - one for heating and one for other uses - will reveal the ratio between electric heating loads and other uses in these homes north of the 53<sup>rd</sup> parallel. Importantly in this regard, as the vast majority of the billed residential customers in the MKO First Nations are also north of the 53<sup>rd</sup> parallel, this data on the ratios of heating and non-heating consumption are of relevance and interest to MKO.

Taken together, the information available from Manitoba Hydro's long-term use of two meters and two rates for employee housing will assist MKO in identifying the disparity between the bills of all-electric customers in the MKO First Nations and those customers in the gas-served areas which have switched, or which have the option to switch, to natural gas. This will also assist MKO in identifying an important potential rate mitigation measure, as raised by MKO in both MKO's final comments in the recent Interim Rate Application and in the NFAT proceeding.

MKO requests that the Board reconsider this matter and revise Order 18/15 such that MKO is approved to intervene on the "2 meters per Manitoba Hydro employee house north of the 53<sup>rd</sup> parallel" issue for the purposes outlined above.

2. In respect of "the issues of revising Manitoba Hydro's Cost of Service methodology to allocate net export revenues to the Diesel Zone customers", MKO would note that the Board has already approved such a change to Manitoba Hydro's Cost of Service Methodology for this purpose in Order 117/06, at paragraph 1(e) of page 76, which states:

*"(n)et export revenue is to be allocated to the domestic customer classes, including diesel customers, using the methodology recommended by Manitoba Hydro."*

It is the recollection of MKO, subject to check, that the Board subsequently directed that the implementation allocation of net export revenues to the Diesel Zone customers as approved in Order 117/06 subject to the execution of the Diesel Settlement Agreement and the submission of same to the Board.

The Board summarized the linkage between the Diesel Settlement Agreement and the allocation of net export revenues at item (g) at page 32 of Order 117/06, which states:

*g) a tentative settlement with Indian and Northern Affairs Canada (INAC) was negotiated by MH with respect to the electricity service and costs for four northern First Nation communities served by diesel; the settlement involves payments to MH by INAC in excess of \$20 million, and assumes MH's diesel class customers will receive future benefits from MH's net export revenue; [emphasis added]*

Therefore, in respect of any final confirmation of the Interim Orders in respect diesel rates, it is the expectation of MKO and the Diesel First Nations that diesel rates will be affected by the allocation of net export revenues to the Diesel customer class as contemplated in the Diesel Settlement Agreement and as approved in Order 117/06.

MKO requests that the Board reconsider this matter and revise Order 18/15 such that MKO is approved to intervene in a limited manner on the "the issues of revising Manitoba Hydro's Cost of Service methodology to allocate net export revenues to the Diesel Zone customers" for the purposes outlined above and for the purpose of clarifying the important linkages between any Final Orders and the terms of the Diesel Settlement Agreement.

3. In Order 18/15, the Board has not approved MKO to introduce a ratepayer panel, having heard from MKO's ratepayer panel in the NFAT proceeding. However, the "Board welcomes any ratepayers who wish to appear as presenters". MKO would respectfully note that it is a long-established practice before the Board for intervenors to be permitted to present a group of their members or constituents. Order 18/15 suggests that the Board will entertain any MKO ratepayer who wishes to individually appear before the Board, but will not permit MKO to facilitate or coordinate a collective appearance before the Board by MKO's members or affiliates who wish to appear as ratepayers.

In this regard, MKO would also note that it would be the expectation of many of MKO's members or affiliates that MKO will facilitate, if not coordinate, any appearance before the Board by these members or affiliates who wish to appear as ratepayers. It is MKO's expectation that some of these members and affiliates would prefer to make a collective appearance. In this regard, MKO would also note the considerable distance that ratepayers from the MKO First Nations would have to travel to make an appearance before the Board and that MKO would likely be involved in the logistics.

Respectfully, MKO requests that the Board reconsider this matter and revise Order 18/15 such that MKO is approved to empanel and present MKO's members or affiliates who wish to collectively appear as ratepayers.

Yours truly,

**ORLE BARGEN DAVIDSON** LLP

A handwritten signature in black ink, appearing to read "G. Orfe". The signature is written in a cursive, flowing style.

George J. Orfe Q.C.