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July 18, 2013

Mr. H. Singh
The Public Utilities Board
400 - 330 Portage Avenue
WINNIPEG, Manitoba R3C 0C4

Dear Mr. Singh:

RE: MANITOBA HYDRO NFAT
MIPUG PROPOSED BUDGET

Manitoba Hydro is in receipt of the submission and proposed budget from the Manitoba Power Users Group dated June 28, 2013. MIPUG's preliminary budget is approximately \$490,000 for the total hearing activity (legal, experts, analysts, support, expenses and incidentals). MIPUG is also budgeting a further \$36,000 for consultation services (contingencies not included). Manitoba Hydro is concerned with MIPUG's projection in terms of hearing length of 45 days. Manitoba Hydro believes that if parties are committed to being efficient in their review, staying focused within the scope as set forth in the Terms of Reference and keeping the costs of this hearing process low, the review and assessment of Manitoba Hydro's application can be accomplished in less time.

MIPUG anticipates presenting a total of three witnesses during the course of this hearing and will be represented by legal counsel throughout.

InterGroup Consultants Ltd. (Patrick Bowman)

MIPUG has retained InterGroup Consultants Ltd to review areas such as the impact of Manitoba Hydro's Proposed Development Plan and alternatives on domestic rates and long-term impacts, Manitoba Hydro's approach to resource planning highlighting impacts on industrial and general service customers and the economic, financial and business risks associated with Manitoba Hydro Preferred Development Plan and alternatives. Manitoba Hydro notes that MIPUG's consultant, Intergroup, is charging \$189/hour for 450 hours for review of application and preparation of evidence plus an additional 360 hours for hearing participation, support and testimony. MIPUG analysts, researchers and hearing support are charging \$90/hour with an estimated 315 hours for pre-hearing support plus an additional 455 hours for analysis, research and support during the course of the hearing. This amounts to a total of 810 expert witness hours and 1070 analyst hours. Manitoba Hydro has no objection to InterGroups participation in the NFAT however, Manitoba Hydro does have concerns with the volume of time that is being estimated given the timeline and scope of the NFAT. Manitoba Hydro is not suggesting an alternate budget amount but believes this expense should be monitored as the process unfolds.

Peter Ostergaard

MIPUG's has identified Peter Ostergaard as a possible witness in respect of the BC experience in exports and planning for domestic markets. Manitoba Hydro notes that Mr. Ostergaard indicates that he anticipates that his contributions would be similar to what was provided during the review of Manitoba Hydro's 2008 industrial rate proposals, namely a 20-30 page written brief that provides relevant information on British Columbia's electricity export experiences. MIPUG has budgeted Mr. Ostergaard at \$20,000 plus \$4000 in travel and related expenses for a total budget of \$24,000.

Manitoba Hydro has concerns with the scope of Mr. Ostergaard's proposed retainer. The purpose of the NFAT is to review Manitoba Hydro's Proposed Development Plan as compared to its alternatives. Mr. Ostergaard appears to have extensive knowledge of the B.C. experience regarding exports and the role of government policy in system planning. Manitoba Hydro does not expect to be debating government energy policy or the relative merits of the BC approach versus that of Manitoba during the NFAT proceedings. MIPUG's indication that BC operates under a significantly different regime leads one to question how such evidence would be relevant in the context of the Terms of Reference. Similarly, the BC experience in the export market while interesting, is in Manitoba Hydro's view, neither relevant nor comparable to the environment Manitoba Hydro operates in. Given the timelines under which the NFAT must be concluded, Manitoba Hydro questions whether this witness is critical to the process. If MIPUG is permitted by the PUB to retain Mr. Ostergaard, Manitoba Hydro would recommend that the PUB ensure that the scope of Mr. Ostergaard's retainer is narrowed and that his review is limited to dealing with the issues related to Manitoba Hydro's Preferred Development Plan and alternatives as outlined in the Terms of Reference.

Senior Representative in Public Sector Finance

MIPUG has indicated that it has identified financial risks tied to the magnitude of the plan which in some ways arises regardless as to the essential business case or justification. MIPUG advises that they have had initial discussions regarding identifying a potential senior expert in public sector financing to assist in addressing this topic, but has not yet confirmed a candidate. MIPUG has budgeted \$20,000 for this potential witness plus \$4000 in travel and related expenses. MIPUG has not provided sufficient information regarding the possible introduction of evidence from the Senior Representative in Public Sector Finance in order to allow Manitoba Hydro to comment on same. Manitoba Hydro would request that MIPUG advise as to the identity of the Senior Representative in the Public Sector Finance if they intend on utilizing the services of this individual and better define the areas and issues to be addressed.

Legal Counsel

Legal Counsel for MIPUG has estimated a cost of \$167,000 plus PST for a total cost of \$180,000. This estimate was developed based on 22.5 hours worked per hearing day at a cost of \$217/hour (with legal counsel anticipating attending 35 of its estimated 45 hearing days). Manitoba Hydro believes that a more reasonable rule of thumb in terms of hours worked per hearing day would be 16 hours, or one day's preparation time for every hearing day. Further,

Manitoba Hydro notes that legal counsel's hourly rate is above the maximum of \$213 as set by the PUB and anticipates that legal counsel's hourly rate will be reduced to the approved maximum.

Manitoba Hydro notes that taking into consideration its comments above, costs for MIPUG's legal counsel will be comparable to the costs paid to other Intervenor legal counsel during the 2010/11 and 2011/12 Risk Review. The Risk Review process culminated in 41 hearing days and included substantial discovery, production of evidence and rebuttal which is comparable with the proposed review of the NFAT.

Other

Manitoba Hydro would encourage the PUB to accept MIPUG's proposal regarding the tracking and provision of witness budgets by activity. Manitoba Hydro would request that such tracking and provision of budgets occur on a monthly basis and that Manitoba Hydro be copied on any correspondence to the PUB related to such updates.

With respect to the total costs being proposed by MIPUG, by way of general comparison, in the unprecedented Risk Review which occurred during the 2010/11 and 2011/12 Manitoba Hydro General Rate Application (GRA), MIPUG sought an award of costs in the amount of \$169,874.55 which was compensation for roughly 30% of its total costs. The GRA occurred over the course of 19 months with 41 hearing days and included substantial discovery, production of evidence, and rebuttal. Subject to its comments above, Manitoba Hydro views MIPUG's costs as comparable to that of the costs incurred during the 2010/11 and 2011/12 GRA.

Yours truly,

MANITOBA HYDRO LAW DEPARTMENT

Per:



PATRICIA J. RAMAGE
Barrister and Solicitor

cc: Antoine Hacault, TDS