

**Manitoba Hydro 2014/15 & 2015/16 General Rate Application
MMF/MIPUG-1-1**

Chapter:	Pre-filed Testimony of P. Bowman	Page No.:	28-29
Topic:	DSM		
Subtopic:	Cost-effectiveness		
Issue:	RIM test		

PREAMBLE TO IR (IF ANY):

MIPUG states its opinion that Manitoba Hydro's DSM programs should pass the RIM test.

QUESTION:

Confirm that Manitoba Hydro's DSM portfolio, as a whole, passes the RIM test.

RATIONALE FOR QUESTION:

To confirm that Manitoba Hydro's DSM portfolio, as a whole, passes the RIM test.

RESPONSE:

Confirmed for 2012/13 per Appendix 8.2 (Power Smart Review) and for 2014/15-2028/29 per Appendix 8.1 (Power Smart Plan).

Mr. Bowman's evidence does not indicate that the present Power Smart plan fails the RIM test. It simply notes that the RIM test should remain an important part of assessing DSM (both on an individual program level and on a portfolio level) as part of helping ensure there is no inefficient cross-subsidization of DSM (though even a RIM test does not guarantee any given class or customer is not adversely impacted – that depends on further analysis of Cost of Service and loads). Further, the DSM program is clearly expected to go through material changes in the near term, both from evolution from "placeholder" estimates to actual program designs for many of the more substantial programs (e.g., fuel switching, conservation rates) and from the expected transition for DSM to become a new government department. It is not clear that any such

**Manitoba Hydro 2014/15 & 2015/16 General Rate Application
MMF/MIPUG-1-1**

transition, which could materially increase administrative costs and consideration of other less utility-focused variables, would necessarily continue to meet such RIM tests.

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:

**Manitoba Hydro 2014/15 & 2015/16 General Rate Application
MMF/MIPUG-1-2**

Chapter:	Pre-filed Testimony of P. Bowman	Page No.:	27, 30
Topic:	DSM		
Subtopic:	DSM Implementation		
Issue:	DSM Implementation by Manitoba Hydro		

PREAMBLE TO IR (IF ANY):

MIPUG states its position that, for stated reasons, Manitoba Hydro should continue to be responsible for industrial DSM programs.

QUESTION:

Confirm that MIPUG has no position with respect to whether Manitoba Hydro retains responsibility for non-industrial DSM programs.

RATIONALE FOR QUESTION:

To determine whether MIPUG has a position with respect to Manitoba Hydro's responsibility for non-industrial DSM programs.

RESPONSE:

Mr. Bowman's evidence does not comment on whether Manitoba Hydro retains responsibility for non-industrial DSM programs.

The main potential concern in that regard is if future added DSM administrative expenditures and/or program designs erode from the current positive RIM test and other benefits that now arise for ratepayers, and in that manner result in increased rates (i.e., cross-subsidization) for industrial customers.

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:

Chapter:	Pre-filed Testimony of P. Bowman	Page No.:	27
Topic:	DSM		
Subtopic:	Rate Impacts		
Issue:	Rate Design		

PREAMBLE TO IR (IF ANY):

MIPUG states its concern about the rate impact of DSM.

QUESTION:

State whether MIPUG's concerns about rate impacts of DSM would be ameliorated by a rate design that allocates DSM costs by rate class, e.g., a rate design under which rates for industrial rate class customers would include DSM costs that are limited to those incurred on behalf of industrial rate class customers.

RATIONALE FOR QUESTION:

To determine whether MIPUG's concern about rate impacts of DSM would be ameliorated by allocating DSM costs by rate class.

RESPONSE:

Generally, questions regarding allocation of a utility's specific costs are a question for Cost of Service assessment, which is not part of the scope of this hearing.

With respect to the current hearing, Mr. Bowman expects all parties including the Board would be attentive to the level of rates being proposed by Manitoba Hydro, and their impact on the costs for customers including affordability and competitiveness concerns (whether the customers are participants or non-participants in DSM).

Further, properly designed DSM will be a positive impact on rates. In this situation there is no need to somehow allocate the adverse DSM impacts, but rather the ability to share the benefits

**Manitoba Hydro 2014/15 & 2015/16 General Rate Application
MMF/MIPUG-1-3**

system-wide (as would naturally happen in a cost of service study where the benefits arise from such matters as reduced fuel use, reduced imports and added exports).

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:

Chapter:		Page No.:	MMF/MH-I-42
Topic:	Rates		
Subtopic:	Rate Design		
Issue:	Cost Averaging		

PREAMBLE TO IR (IF ANY):

Manitoba Hydro's rates are designed on an average cost basis, e.g., any differences between urban and rural costs are averaged into all rates.

QUESTION:

State whether MIPUG agrees with the principle of averaging rates, e.g., rates that average, for instance, rural v. urban cost differences.

RATIONALE FOR QUESTION:

To determine MIPUG's position with respect to averaging of costs for rate purposes.

RESPONSE:

Mr. Bowman's evidence in this proceeding does not address cost of service or rate design issues, as these are matters for a future hearing.

"Averaging" of rates is a principle with many dimensions, including averaging of rates for "new" versus "existing" customers, and "postage stamp" averaging across different geographic areas within an overall jurisdiction. "Average cost" rate making principles typically assume that different customer classes are properly defined, and that rates for each class are set to recover the average costs of service for electricity supplied to that customer class.

Specifically for industrial customers, and averaging of rates as it relates to location, Mr. Bowman does not take a position. For the industrial rate class in Manitoba, location provides very little

**Manitoba Hydro 2014/15 & 2015/16 General Rate Application
MMF/MIPUG-1-4**

discrepancy in costs as industrial customers are served at high voltage with little to no variance in service quality, customer use profile, and cost of service characteristics tied to geography.

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION: