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February 10, 2016

By email

The Public Utilities Board of Manitoba
Attention: Mr. Darren Christle
400 - 330 Portage Avenue
Winnipeg, MB R3C 0C4

Dear Mr. Christle:

Re: Cost of Service 2016

On behalf of the Consumer Coalition, I would like to thank you for the opportunity to respond to the PUB letter dated January 22, 2016.

In providing this response, I would note that many of the questions posed by the PUB have already been addressed in our clients application for Intervenor status. I also would note that our client has reviewed Hydro's letter of February 5, 2016 and may offer some additional comments on that subject on February 11, 2016.

(a) How has your client engaged its stakeholders in support of your client's intervention application?

The Coalition has not yet engaged with stakeholders in support of this specific intervention. This is due to the facts that

- a) the record is not yet robust enough to undertake a meaningful consultation
- b) both of our clients and the Public Interest Law Centre had previously scheduled a day long consultation on payday lending issues on January 27, 2016. One of the clients also hosted a day long environmental issue consultation involving 60 persons on January 30, 2016.

In any given year, CAC Manitoba will host numerous focus groups and stakeholder consultations on rate regulation matters. Similarly, Winnipeg Harvest meets regularly with stakeholders on matters relating to low income persons. During the most recent Hydro GRA, our client held focus groups as well as a special consultation on Bill Assistance matters.

The Coalition expects that it will undertake at least one focus group as well as two stakeholder meetings once the record becomes more robust.

(b) How, and on what topics, has your client collaborated with other prospective interveners?

In preparation for this proceeding, legal counsel for the Coalition and Mr. William Harper prepared a lengthy briefing memo aimed at creating a preliminary list of issues and views. It was shared with legal counsel for potential intervenors on or about February 1, 2016. The note formed the basis for a February 2, 2016 meeting between legal counsel for a number of potential intervenors including those representing Northern First Nations, the Green Action Centre, MIPUG as well as General Service Customers.

Later in the week, Coalition legal counsel also had shorter discussions with counsel for other intervenors including the MMF and the City of Winnipeg.

(c) What is your client's initial position with respect to Manitoba Hydro's Cost of Service Study Methodology? (d) What is your client's initial position with respect to the Rate Related Matters as listed above? (e) On a preliminary basis, what aspects of Manitoba Hydro's PCOSS 14 (Amended) does your client agree with and why? (f) On a preliminary basis, what aspects of Manitoba Hydro's PCOSS 14 (Amended) does your client disagree with and why?

A detailed list of our client's preliminary views was attached as Appendix A to our client's application to intervene. It is attached again as Appendix A to this letter. The list is quite preliminary and is subject to change as the record and our stakeholder engagement evolves.

While our Client has preliminary agreement on a number of issues with Manitoba Hydro, it may have arrived at this conclusion for substantially different reasons. Our client's expert, Mr. William Harper is among Canada's foremost experts in Cost of Service Matters. Our client is confident Mr. Harper will bring a distinctive and principled approach to the Panel's deliberations regardless of whether he agrees with a particular position of Manitoba Hydro or not.

(g) On what specific issues is expert evidence being planned and why?

It is too early to address the specific issues in which our client will offer expert evidence. However, it is quite likely that Mr. Harper's evidence will address core issues in this proceeding such as:

- 1) The definition of the export class including the question of whether there are one or two classes which will play a fundamental role in the allocation of joint generation and transmission costs.
- 2) The allocation of net export revenue which has important implications for policy issues such as maintaining the commitment to uniform rates, the Affordable Energy Fund and the diesel funding agreement.
- 3) The allocation of interconnection costs (US inter-tie). Should they be treated similar to

other transmission costs (peak demand) or do they have a different rationale from other transmission?

4) Should the Riel and Dorsey converter stations be treated similar to other HVDC facilities (ie all generation) or should some of the costs be treated as transmission?

5) Is consideration of an inclining rate structure appropriate, desirable or necessary given Hydro's claim that Residential Energy Rates are relatively close to Marginal Costs? What are the implications of inclining rate structures for low income consumers in poorly insulated homes?

6) On a prospective basis, should issues related to BIPOLE III be addressed. If so, should BIPOLE III be treated similarly to BIPOLES 1 and II.

As set out in Appendix B, Mr. Harper has over 35 years of professional experience on issues related to cost of service both as a company witness and independent expert. He has worked in the field of rate design for over 25 years. Mr. Harper has reviewed the practices of cost of service and rate design in five different Canadian provinces including Quebec, Ontario, British Columbia, Manitoba and Saskatchewan. Since 2008, he has annually reviewed at least 10 Ontario Cost of Service filings a year.

Mr. Harper will address cost of service methodology issues from the perspective of five core principles or values:

1. Cost Causation

Costs should be allocated to the various customer classes based on a methodology that reflects the cost-causal relationships for the production and delivery of the services provided by the utility. While there are generally accepted cost of service methodologies, the methodology chosen must reflect the nature and operating characteristics of the utility concerned as well as the policy environment in which it operates.

2. Fair

The nature of cost of service studies is that a significant portion of the costs being allocated are for facilities that are jointly used by multiple customer classes. There are a number of methodologies that can be used to establish cost causation. The methodologies chosen and the resulting assignment of costs should be viewed as fair and equitable.

3. Practical

The methodology must be practical to apply given the utility data available and its application should be transparent to all stakeholders.

4. Stable

The results should be reasonably stable from year to year such that changes from year to year reflect trends in the underlying cost structure and operations of the utility, so as to avoid creating unnecessary instability in the resulting rates.

5. Efficiency

Given that one objective of rate design is to promote efficiency and that rates are designed to recover each class' allocated share

(h) How many rounds of Information Requests of Manitoba Hydro are requested in light of the MFR Responses?

We are seeking at least one round of information requests. In the event the PUB decides to host any workshops, we are confident that the information requests posed will facilitate the discussion.

(i) The Board intends to conduct the oral evidentiary portion of this hearing in using a concurrent evidence process, possibly facilitated by a neutral facilitator. How does your client suggest such concurrent evidence be heard?

The Consumer Coalition reserves the right to expand on this answer once it reviews the submissions of Hydro and other Intervenors. The Coalition notes that it posed specific questions related to this topic to Manitoba Hydro but to its knowledge, it has not yet received an answer. A more complete position will be provided once the Coalition receives Hydro's response.

The Coalition notes with interest the desire of the Public Utilities Board to explore the utility of concurrent evidence in this proceeding. The PUB experimented with the approach during the MPI General Rate Application. CAC Manitoba believes the approach was of merit in that proceeding due to the relatively narrow scope of the issues raised and the personality of the witnesses (more inclined to analysis and less inclined to advocate positions).

The Consumer Coalition also has been advised of less successful concurrent evidence panels.

The Consumer Coalition is supportive of the concept of concurrent evidence provided it is done efficiently, enables a robust exchange of all perspectives and preserves the right of direct and cross examination. In addressing issues related to the provision of concurrent evidence, there are a number of questions that require careful consideration:

- given the breadth of issues raised in this proceeding, should concurrent evidence be used for all issues or for a select few of greatest significance?
- are concurrent panels best used for highly technical issues or are they adoptable to all issues raised?

- how many panels are necessary? Will there be distinct panels for Cost of Service, Rate Design and Terms of Service?
- recognizing that parties may adopt the same positions for divergent reasons, how does the PUB ensure that a robust exchange of ideas (rather than positional advocacy) is achieved?
- how do we ensure the distinct perspectives of different Intervenors are heard?
- is concurrent evidence restricted to independent experts or is it intended to be available to company witnesses?
- what is the appropriate treatment of internal Hydro witnesses? Do they need to be qualified as experts? What are the limitations, if any, related to their status as company employees?
- to avoid advocacy and facilitate analysis, should a neutral facilitator be employed?
- if so, what type of facilitator brings the requisite expertise?


In addition, it may be helpful to identify different models for the receipt of concurrent witnesses. Without suggesting this list is exclusive, the Consumers Coalition has considered:

- model A - all issues on which there is dispute are subject to concurrent expert panel(s) with cross examination to follow the expert dialogue
- model B – the PUB identifies core issues on which it seeks concurrent panels with cross examination. Parties then present evidence on other issues subject to cross
- model C - parties present their own witnesses who are subject to cross. The PUB then holds a concurrent panel on selected questions of greatest interest

Conclusion

Thank you for your consideration of these comments.

Yours truly,


BYRON WILLIAMS
For DIRECTOR

BW/ab