

# SUBMISSION BY THE CONSUMER COALITION (CAC MANITOBA AND WINNIPEG HARVEST)

## 2016 MANITOBA HYDRO COSS

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# Core Messages

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- Important rate setting issues
  - Allocation between classes
  - Sustainable, efficient rate design
- Adjudicative determination on COSS long delayed
- Coalition brings:
  - Distinct perspective guided by robust community engagement
  - Demonstrated ability to collaborate
  - Well regarded expert with insight into other jurisdictions and the practices of many utilities

# Core Messages

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- Opportunities to innovate in hearing process (ie concurrent evidence) provided:
  - Robust exchange of all perspectives
  - Adequate discovery
  - Preserves the right of direct and cross examination
  - Done efficiently
- Long delayed adjudication at risk of being sidetracked

# Cost of Service and Rate Design are Integral Elements of Just and Reasonable Rates

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- The Board's role, according to CAC/MSOS, must involve ensuring that MH's forecasts are reasonably reliable, ensuring that actual and projected costs incurred are necessary and prudent, assessing the reasonable revenue needs of the Corporation in the context of the overall general health of MH, **determining an appropriate allocation of costs between classes, and setting just and reasonable rates** in accordance with statutory objectives.
- The **Board endorses these principles and the objectives** as set out above that must inform it in the present circumstances when fixing rates for the test years in question. (Order 5/12, p. 27) (see also Order 98/14, p. 28)

# 10 Years is a Long Time Between Adjudicative Reviews

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## *Order 117/06*

- A Review Of Manitoba Hydro's Cost Of Service Study Methodology And Other Matters as part of the current review:

**What is a reasonable time period between reviews?**

# The Distinct Perspective of the Coalition

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## Winnipeg Harvest

- Non-profit, community-based
- **Partners** with more than **340 agencies** to distribute surplus food to **hungry families all over Manitoba**
- 63,000 Manitobans each month.
- Manitoba Association of Food Banks

# CAC Manitoba

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- Non-profit, community-based
- 400 members and donors
- 6,000 Manitoba consumers annually attend CAC Manitoba information sessions and workshops
- Interacts with roughly 14,000 consumers annually (education, info centre and research)
- Long standing, extensive experience in cost of service issues across a variety of industries

# The Consumer Coalition

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- Represent the interests of urban and rural residential consumers through evidence based advocacy
- Seeks consensus based on informed community input:
  - Focus groups
  - Community meetings (Bill Assistance)
  - Stakeholder advisory
- Client directed
  - CAC Board through ED
  - Winnipeg Harvest staff and direct engagement of low income persons



# Examples of Engagement

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- Bill assistance community meeting (Spring 2015)
  - Service agencies
  - Other community organizations
- Payday lending (Winter 2016)
  - Focus groups and surveys of consumers (200)
  - Workshop with Canadian credit unions
- Water Issues and the Environment (January 30, 2016)
  - 60 individuals Indigenous Elders, students, academics, community organizations, farmers, Hydro employees, Law Reform Commission, Government and Tribunal members

# COSS Consultation with Clients

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- 33 page power point – October 29, 2014
- 25 page power point – December 11, 2014

# Engagement with Stakeholders

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- Contemplate one focus group and 1-2 stakeholder meetings (low income, rural, urban, remote, seniors)
- Premature to undertake stakeholder engagement:
  - Scope of hearing not set
  - Large gaps in the explanation of the functionalization and, to a lesser extent, classification and allocation of costs
  - Coalition MFRs not filed
  - MIPUG MFRs not filed (exception MFR 11)
  - Absence of rate design filings
- Most effective after review first round IRs

# Well Regarded Canadian Expert

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## Bill Harper

- Over 35 years of professional experience on issues related to cost of service
- Company witness and independent expert
- Experience five different Canadian provinces including Quebec, Ontario, British Columbia, Manitoba and Saskatchewan

# Demonstrated Record of Collaboration

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## 2013 Hydro GRA, NFAT

- GAC/CAC MB energy efficiency issues

## COSS

- Lengthy briefing memo aimed at creating a preliminary list of issues and views (Appendix A)
- Basis for February 2, 2016 meeting with a number of potential intervenors
- Discussions with counsel for other intervenors

# Summary of Initial Position

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- Appendix A
  - A. Customer Classification and Revenue Assignment
  - B. Functionalization
  - C. Classification
  - D. Allocation
  - E. Rate Design
- 19 issues pending require further disclosure or scope clarification:
  - ie: Weighted energy allocator (p. 7) Pending. Concern that inclusion of full CRP credit fails to recognize that, even with current market conditions, peak period SEP prices likely reflect some allowance for capacity, particularly if and when market conditions change.
  - ie: View on treatment of Hybrid Exports pending.

# Examples of Concerns Shared with GAC and/or MIPUG

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- The weighting of energy by time period and the introduction of some unspecified measure and weight for demand in development of the generator allocator. (GAC) **Coalition, Appendix A, D.Allocation, 11.Weighted Energy Allocator**
- Whether sufficient transmission has been functionalized into generation, or allocated with generation. (GAC) (MIPUG) **Coalition, Appendix A, B. Cost Functionalization, 3. Generation Definition (Dorsey and Riel)**
- Which ancillary services are driven by peak load, as opposed to energy requirements, and how MH functionalized, classified and allocated each component of ancillary services. (GAC) **Not noted in Appendix A but agreed as a concern.**
- How distribution plant is allocated among classes. (GAC) **Coalition, Appendix A, D. Allocation, 7. Distribution Plant**
- The classification of distribution lines between demand and customer components. (GAC) **Coalition, Appendix A, C. Classification, 4. Distribution Plant**

Shared Concerns **do not equal** Shared Solutions

# Designated Experts will not Work

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*we do not believe that a COSS can be dealt with properly by assigning different elements to different experts, since they hang together in many ways and need to be addressed on the basis of different frameworks and principles.. . . Contested issues are best addressed by allowing each party to develop their perspective and recommendations as a basis for an exchange through joint testimony. (GAC, February 10, 2016) (bolding added)*



# Designated Experts will not Work

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- Witnesses may arrive at same positions through different analysis
- Independent experts and company witnesses may have a different process of developing opinions/position
- Independent expertise may not reside within Hydro

# Top 5 Potential Areas of Evidence

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- Definition of the export class
- Allocation of net export revenue
- Allocation of interconnection costs (US inter-tie)
- Allocation of generation costs – to which classes and how (i.e. is the use of the re- defined weighted energy allocator proposed by MH reasonable)
- Treatment of Riel and Dorsey converter stations (ie all generation or should some of the costs be treated as transmission)

**Other aspects of COSS – where warranted.**

# Information Requests are Necessary

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- Many areas where position pending
- Without IRs, workshops will not be productive
- 1 general round (with narrower scope for follow - up)

# What is Concurrent Evidence?

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Experts concurrently presenting on a particular issue at a particular time

# Concurrent Evidence can be Effective

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Provided that:

- It is done efficiently
- Enables a robust exchange of all perspectives
- Preserves the right of cross examination

# Concurrent Evidence: More Questions than Answers

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- All issues or those of greatest significance?
- How do we ensure the distinct perspectives of different Intervenors are heard?
- Restricted to independent experts or 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?

# Unanswered Questions by Hydro

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- In preparing our commentary on concurrent witness panels, it would be helpful to understand **who Hydro is expecting to call** as witnesses on issues relating to cost of service and/or rate design (ie inclining rates)?
- In particular, it would be helpful to understand whether Hydro seeks to call an **expert from outside** the Corporation on issues related to cost of service and rate design. In addition, if Hydro expects to call internal witnesses on either cost of service or rate design, it would be helpful to understand whether Hydro intends them to be **company witnesses** or will seek to qualify them as **experts**?
- If Hydro seeks to qualify any of its internal witnesses as experts in cost of service or rate design, it would be helpful to know the **basis for their expertise** and whether they have been qualified as experts in any other regulatory proceeding.

# Models 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



# Concurrent Evidence Next Step

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Agree:

- MIPUG recommends that counsel should cooperatively review some detailed options and logistics and report back to the Board regarding the best means to achieve efficiency and fairness (MIPUG, Feb 10, 2016)

**Counsel may be able to identify a few issues that could be hived off for parallel negotiations while process proceeds**

# Additional Scope for COSS Hearing

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- Manitoba Hydro's policies and plans on rate rebalancing that may arise from the outcome of the COSS review
- Manitoba Hydro's Terms and Conditions of Service including Service Extension Policies

# Scope for Next GRA

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- Rate designs (Basic Monthly Charge, energy charge and demand charges)
- Rate design (Industrial Time of Use Rates, Inclining Rates)
  - Appears to be little justification for inclining/tiered rates as Residential Energy Rate close to Marginal Cost (as last reported by MH)

# Objectives

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- Evidence based dialogue consistent with regulatory good practice
- Transparent
- Meaningful right to be heard
- Independently adjudicated

# Hydro's Proposal Not Recommended

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## Agree:

- It is not apparent that Hydro's workshop-only format will be workable for a document of this degree of importance to the PUB's mandate. (MIPUG, February 10, 2016)
- See Consumers Coalition Appendix 1:

**The Coalition does not endorse the Manitoba Hydro proposal nor does it consider it to be the best use of scarce regulatory resources.**

Thank You