

# **PUBLIC UTILITIES BOARD**

**MANITOBA  
HYDRO  
CROSS OF SERVICE  
STUDY  
METHODOLOGY  
REVIEW**

**2016**

## **WRITTEN ARGUMENT OF THE CITY OF WINNIPEG**

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## WRITTEN ARGUMENT OF THE CITY OF WINNIPEG

This written argument is submitted by the City of Winnipeg (the “City”) in response to the invitation of the Public Utilities Board (the “PUB”) by way of letter dated January 22, 2016 which addressed a number of process matters. At paragraph 10 of its letter, the PUB stated as follows:

*By February 10, 2015, and to assist the Board in its considerations of the scope of this Hearing process, the Board expects prospective Interveners to provide a detailed written submission that answers at least the following questions:*

- (a) How has your client engaged its stakeholders in support of your client’s intervention application?*
- (b) How, and on what topics, has your client collaborated with other prospective interveners?*
- (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?*
- (g) On what specific issues is expert evidence being planned and why?*
- (h) How many rounds of Information Requests of Manitoba Hydro are requested in light of the MFR Responses?*
- (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?*

On February 5, 2016, MH provided a response to the PUB. The City proposes to include in this submission a response to some of MH’s submissions.

The following is the City's position with respect to each of the issues raised by the PUB.

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

The City is a municipal government and its engagement with its stakeholders occurs through the democratic process. The City's representative government consists of elected councillors, each elected by voters in their respective wards and one mayor elected by voters in the City as a whole. The City's elected officials are answerable to voters on any variety of topics, in a variety of ways, by direct contact (e-mail, telephone), by open houses, by social media, by appearance at Committee or Council meetings and ultimately by the election process. The City's budget process is the particular method by which the City has engaged with its citizens with respect to the issues which are relevant to this proceeding. Specifically, the City is answerable to voters to ensure that it pays no more than its fair share to MH for hydro-electric power, as this cost is ultimately passed on to taxpayers of Winnipeg. There is an extensive public consultation process undertaken by elected officials of the City annually as part of the budget process. See attached.

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

The City has informally been in contact with other intervenors, through counsel, with respect to such topics as obtaining access to Manitoba Hydro's model and the manner in which evidence will be provided at the hearing by experts.

**(c) *What is your client's initial position with respect to Manitoba Hydro's Cost of Service Study Methodology?***

Manitoba Hydro ("MH") notes at page 2 of its submission dated December 4, 2015:

*Manitoba Hydro's COS methodology reflects further amendments compared with PCOSS13 filed with the PUB during the 2012/13 & 2013/14 GRA and the version of PCOSS14 provided to participants to Manitoba Hydro's Cost of Service Stakeholder Engagement.*

It expands on the amendments as follows at pages 2 and 3:

*Amendments to the COS methodologies include:*

- 1. Continue with an Export Class with cost distinction between Dependable and Opportunity sales which assigns full embedded cost responsibility to approximately 50% of export sales (Dependable) and incremental cost to the remaining 50% of export sales (Opportunity) with the following refinements:*

*Manitoba Hydro has aggregated its generation resources such that all domestic customer classes and Dependable export sales are allocated embedded cost proportionately on the basis that all resources support these loads.*

*Power Purchases have been allocated to all sales proportionately on the basis that this resource supports all loads.*

*Hybrid sales (longer term sales that may be supported in adverse conditions by resources outside Manitoba) are treated as Dependable sales in COS.*

- 2. The Dorsey Converter facilities are functionalized 100% as Generation and allocated on the basis of Weighted Energy. It is also Manitoba Hydro's intention to functionalize the upcoming Riel Converter facilities on this basis.*
- 3. US Interconnections are functionalized as Transmission, classified as Energy, and allocated on a Weighted Energy basis.*
- 4. The Weighted Energy allocator (used in the classification and allocation of generation-related cost and US Interconnections) has been modified to include the value of capacity as represented by the Reference Discount used in the Curtailable Rate Program ("CRP").*

The City's initial position is that these amendments require careful scrutiny both conceptually and through a careful review of the manner in which the concepts have been implemented in MH's COSS model. Only after a careful review will the City be in a position to agree (or not agree) that the proposed changes are consistent with the general principle of cost causality and the appropriate allocation of costs to customer classes.

In addition, the City takes the initial position that MH's response to Directive 20 of Order 73/15 – Area and Roadway Lighting needs to be reviewed in the context of the COSS Methodology Review to determine what additional actions, if any, are required in order to determine whether MH has complied with the Directive.

Finally, the City takes the initial position that an overall review and examination of MH COSS methodology and a careful examination of the working version of the model is required in order for the City to take a final position on whether the methodology and model as a whole are consistent with the general principle of cost causality and the appropriate allocation of costs to customer classes. The City notes that MH has not yet contacted it (or to its knowledge, any of the proposed intervenors) to discuss access to the model for the purposes of the hearing. The City is of the view that it will not be difficult for Manitoba Hydro to produce the full working version of the model without having to include any material that is sensitive or confidential or that would prejudice either Manitoba Hydro or any of its customers.

- (d) ***What is your client's initial position with respect to the Rate Related Matters as listed above?***

The City's initial position on each of these matters is set out below.

***Manitoba Hydro's policies and plans on rate rebalancing that may arise from the outcome of the COSS review***

The City's initial position is that any rate rebalancing that is undertaken must be consistent with a defined set of rate design principles that should be clearly enunciated and approved by the PUB.

***Rate designs matters such as adjustments to the Basic Monthly Charge, energy charge and demand charges***

The City's initial position is that changes to the rate design should be consistent with the structure of costs as determined by the approved COSS model, subject to due consideration being given to other rate design principles and economic price signals.

***Rate design considerations for such matters as Industrial Time of Use Rates and Residential Conservation Rates***

The City's initial position is that these rates should be designed in a manner that results in benefits for all rate classes, such as a reduction in overall costs that benefit all customer classes. Further, consideration of Time of Use rates for all rate classes should be included in consideration of Time of Use rates for any class.

***Manitoba Hydro's Terms and Conditions of Service including Service Extension Policies.***

The City's initial position is that all terms and conditions should, to the extent practical, be consistent across classes and should be in the interest of all of MH's customers. No customer class should be advantaged or disadvantaged by the terms and conditions that are applied to a specific rate class.

- (e) ***On a preliminary basis, what aspects of Manitoba Hydro's PCOSS 14 (Amended) does your client agree with and why?***

The City is not prepared to take a position on the aspects of MH's PCCOSS 14 with which it agrees until it has had the opportunity to complete a thorough review of the evidence including the working version of the model that MH has been directed to make available to parties.

- (f) ***On a preliminary basis, what aspects of Manitoba Hydro's PCOSS 14 (Amended) does your client disagree with and why?***

The City is not prepared to take a position on the aspects of Manitoba Hydro's PCCOSS 14 with which it disagrees until it has had the opportunity to complete a thorough review of the evidence including the working version of the model that MH has been directed to make available to parties.

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

Subject to the findings of the expert retained by the City, it is planning to file evidence on the overall methodology as well as the specific allocation of costs to the Area and Roadway Lighting category. Evidence will be filed only if concerns are identified that, in the view of the City, require modification to the methodology and the COSS model.

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

The City's preliminary position is that two rounds of information requests may be necessary. A second round of information requests may not be required if the process adopted by MH to work cooperatively with approved intervenors and their consultants in relation to the working model results in full transparency with respect to the model.

**(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 City is of the view that such a process could be successful but only if a protocol is developed in advance of the hearing that ensures that the evidence is presented in an orderly and fair way. In order for this method to be successful, the City suggests that the neutral facilitator meet with the experts and their counsel in advance of the hearing to ensure that he or she fully understands the technical issues and be in a position to narrow them down to those in dispute so that on each issue:

1. Only the issues in dispute are presented at the hearing;
2. The disputed issues are properly framed at the hearing; and
3. Only the experts on each side of the dispute need to put forward the reasons for their position.

With respect to some of the issues raised by MH in its letter of February 5, 2016, the City responds as follows:

- The City does not agree with MH's submission that the COSS methodology review should be treated as a "review" rather than an "application". The PUB will recall that the COSS methodology review initially formed part of the 2012/2013/2014 GRA and it was determined that the portion of the GRA which dealt with the COSS would be dealt with separately. The fact that the COSS is to be dealt with separately, however, does not make it any less a part of a GRA. Therefore, it is as much a part of a GRA as is the actual rate setting and as such, is subject to the PUB's jurisdiction and order-making power. The distinction which MH is attempting to make in its submission of February 5, 2016 is meaningless.
- The City does not agree with MH's proposed process and scope for the COSS methodology review. The process proposed by MH may be of value if it were in

preparation for and in addition to but not in lieu of the hearing which is currently proposed, especially if the model were available during that stakeholder process. Otherwise, it would effectively rob the City of an opportunity to be effectively heard by the PUB in respect of its concerns.

- The City is interested in the issue of Time-of-Use rates for certain General Service properties owned by it and operated by its Water and Waste Department. It would prefer to see this issue dealt with in this hearing in an effort to determine if cost savings are available to it and its taxpayers at this time.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

February 10, 2016

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Per:   
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