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June 28, 2016

Mr. D. Christle  
Secretary and Executive Director  
Public Utilities Board  
400-330 Portage Avenue  
Winnipeg, Manitoba  
R3C 0C4

Dear Mr. Christle:

**RE: MANITOBA HYDRO'S 2015 COST OF SERVICE METHODOLOGY REVIEW – PRE-HEARING CONFERENCE – REPLY OF MANITOBA HYDRO**

This letter is further to the Pre-Hearing Conference which was held at the Public Utilities Board (PUB) offices on June 24, 2016 and Ms. Ramage's request that Manitoba Hydro be provided an opportunity to address process issues by way of letter early this week. Manitoba Hydro would like to thank the Board for their understanding with respect to the circumstances and allowing the Corporation the opportunity to supplement its oral reply submission at the Pre-Hearing Conference.

The process presently calls for the filing of written submissions on issues not subject to concurrent evidence on August 12, 2016. Upon review of the transcript, Manitoba Hydro notes that most parties were not prepared to relegate their issues to the written portion of the process, assuming the hearing proceeds in that manner.

Manitoba Hydro also notes that several pieces of evidence were introduced both by way of written intervenor evidence and by oral presentation at the Intervenor Workshop. Upon reviewing these matters, Manitoba Hydro requires the opportunity to provide written rebuttal evidence to address the issues raised in this evidence. Other parties to the Pre-Hearing Conference also expressed a desire to reply to other intervenor's evidence. Given the context of Cost of Service Study (COSS) matters, and only for this regulatory proceeding, Manitoba Hydro does not object to other parties addressing this evidence in written submissions for the purposes of this review process.

As such, Manitoba Hydro proposes that Intervenor be permitted to file reply submissions to evidence raised during the course of the Intervenor Workshops by August 12<sup>th</sup>. The matter being reviewed is Manitoba Hydro's COSS, and the Corporation has filed a submission to the PUB for review and must be in a position to respond to its rate payers with regard to any implemented recommendations. As such, Manitoba Hydro requests that it be permitted to file rebuttal evidence on August 19<sup>th</sup>.

With respect to the oral hearing phase of the review, which at present is structured as a concurrent evidence process, Manitoba Hydro notes that there exists potential for up to nine consultants (which includes all Intervener consultants and Manitoba Hydro's consultants from Christensen Associates Energy Consulting), in addition to Manitoba Hydro's Cost of Service witnesses to participate in a concurrent panel. Manitoba Hydro is concerned that this number may be unwieldy, particularly given this would be the first experience with this type of process for most participants. Manitoba Hydro observes that the Intervener Workshop produced a great deal of interaction between respective consultants and provided the Board with an exchange of ideas on various concepts under review. The Workshop portion of the process has served to allow parties' experts the opportunity to pose questions of each other, canvass issues and perspectives, and at times debate those differing perspectives. As the parties move to the next phase of the review, a more traditional oral process in lieu of a concurrent evidence process may be more suitable to address the differing opinions on the issues during the oral hearing phase of the review process.

Manitoba Hydro requests that it be provided a half day at the outset of the oral hearing in order to present its position on cost of service issues, with emphasis on the inter-relationships between the various issues, how options for treatment of various issues impact results, together with consideration of the treatment of new evidence arising from Intervenor evidence and the Workshops and also to respond to any questions of the Board. Manitoba Hydro requires that it be afforded the opportunity to present direct evidence in this manner regardless of whether a concurrent or traditional process is selected. Following its direct evidence presentation Manitoba Hydro's panel would be subject to cross-examination.

If a more traditional approach is adopted, Intervenor would next present direct evidence followed by cross-examination. Manitoba Hydro suggests the PUB focus attention to each party's most contentious issues, where parties are adverse in interest and those issues which will cause the most significant Revenue Cost Coverage impacts.

Alternatively, if the PUB determines that a concurrent evidence session is required, Manitoba Hydro submits that same would take place following Manitoba Hydro's direct presentation discussed above. Similar to Manitoba Hydro's views regarding the presentation of Intervener evidence, the PUB can hold a concurrent evidence session focused to those issues that meet the criteria noted in the previous paragraph.

Manitoba Hydro submits that any concurrent evidence session would require the participation of both Manitoba Hydro's internal experts and its independent consultants. While independent consultants provide expert opinion on COSS topic, Manitoba Hydro's corporate witnesses provide the knowledge and understanding of the Corporation's operations and revenue requirements and their ultimate application to the COSS.

During the Intervener Workshops, Manitoba Hydro noted a number of interactions between consultants where factually incorrect information regarding the Corporation and its operations was presented. For example, a discussion occurred between Mr. Bowman and Mr. Athas regarding negative export revenue as determined for Cost of Service purposes, but in the context of revenue requirement and retained earnings (beginning at transcript pg. 289). Manitoba Hydro can address this matter through rebuttal, but would have preferred to address the confusion on the record during the Workshop process. As such, the record currently reflects information which is incorrect.

In the event that a concurrent hearing process were chosen by the PUB, which excluded corporate witness participation, Manitoba Hydro submits that it be allowed a right of reply in response to discussions at the oral hearing in order to provide any clarification required on the issues discussed.

Manitoba Hydro's recommended process permits parties to speak to their most relevant issues while keeping the scope of the proceeding as intended by the Board. Where parties identified issues that they wanted discussed at the oral hearing, the reply submissions and the oral hearing should be limited to those issues previously identified. Manitoba Hydro submits that less substantive issues not addressed in the oral hearing may be addressed in writing during the final submissions of the parties.

Manitoba Hydro does not view the oral closing submissions, noted as optional on the Board approved timetable, as being required and submits that issues can be properly addressed by way of written argument. Manitoba Hydro does not believe a change is required in terms of the timetable for final written submissions.

D. Christie  
June 28, 2016  
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Manitoba Hydro has attached a draft timetable which includes its proposed changes for the Board's consideration.

Should you have any questions with respect to the enclosed, please contact the writer at 204-360-3633 or Janelle Hammond at 204-360-4161.

Yours truly,

**MANITOBA HYDRO LAW DIVISION**

Per:



**ODETTE FERNANDES**  
Legal Counsel

Att.

**PROPOSED HEARING SCHEDULE AMENDMENTS**  
**2015 Cost of Service Methodology Review**

Step in the Hearing	Due Date (No Later Than)
2nd Pre-Hearing Conference - to Scope Issues for Concurrent Oral Evidence and Written Submissions	Friday, June 24, 2016
Responses to Undertakings from Intervener Workshop	Wednesday, July 06, 2016
Intervener Reply Submissions Due on All Issues	Friday, August 12, 2016
Manitoba Hydro Rebuttal Evidence Due on All Issues	Friday, August 19, 2016
Oral Hearing	September 7-9, 2016 (September 10 as Overflow Date)
Intervener Final Written Submissions Due on All Issues	Wednesday, September 21, 2016
Intervener Reply Submissions to Other Interveners Due on All Issues	Monday, September 26, 2016
Manitoba Hydro Final Reply Submission Due on All Issues	Wednesday, September 28, 2016