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September 6, 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 COST OF SERVICE STUDY METHODOLOGY REVIEW-
MIPUG REVISED BUDGET**

On July 12, 2016, the Public Utilities Board (“PUB”) issued Procedural Order 84/16 establishing a revised timetable for the Cost of Service (“COS”) Review process. In its Order, the PUB directed that if any intervener expected to exceed their budget, they should provide a written explanation regarding the anticipated exceedance and seek permission from the PUB as to any budget variance. On September 2, 2016, the Manitoba Industrial Power Users Group (“MIPUG”) and Counsel for the General Service Small and General Service Medium representative (“GSS/GSM”) filed revised budgets and sought approval for additional funding for their participation for the remaining COS Review process.

Manitoba Hydro offers the following comments with respect to these revised budgets, for the PUB’s consideration.

MIPUG

The PUB approved a budget of \$229,276 for MIPUG’s participation in this review process. MIPUG is requesting additional funding of \$38,752, or 14% over the budget amounts approved by the PUB, for a total budget of \$268,028.

In its first Procedural Order 26/16, issued February 6, 2016, the PUB indicated that it would not take into account the financial resources of the approved interveners for purposes of determining a cost award in this process. As expressed by Manitoba Hydro during the first Pre-Hearing Conference and in its letter of comment on intervener budgets dated March 7, 2016, Manitoba Hydro remains concerned that the PUB is not considering sufficiency of financial resources as a criterion in awarding intervener costs for this process, as set out in Section 43 of the PUB’s Rules of Practice and Procedure.

Manitoba Hydro continues to believe that in determining any cost award to MIPUG, the PUB should also consider Section 44(i) of the PUB’s Rules that these interveners are taking part in this proceeding

for the sole purpose of protecting its own business interest. While the PUB has determined that cost awards would be approved for all interveners as part of this proceeding, such that the original budget submitted by MIPUG would be paid for by Manitoba Hydro ratepayers notwithstanding the criteria set out in the PUB's Rules, Manitoba Hydro believes it appropriate that any additional funding for MIPUG's continued participation in the process be the responsibility of MIPUG members.

Manitoba Hydro further notes that in its original budget submitted on March 1, 2016, MIPUG included a placeholder of \$3,395 for "Review of Hydro Written Submission and Preparation of Rebuttal Argument if Required", which was not contemplated in the timetable approved by the PUB in Order 26/16. Thus, MIPUG had already included some funding for Reply Submissions in its original budget approved by the PUB. As such, if the PUB does approve the additional funding sought by MIPUG, in Manitoba Hydro's view, the \$38,752 being requested should be reduced by \$3,395, accordingly.

GSS/GSM

The PUB approved a budget of \$230,000 for the GSS/GSM's participation in this review process. The GSS/GSM is requesting additional funding of \$57,852, or 20% over the budget amounts approved by the PUB, for a total budget of \$287,852.

Manitoba Hydro has the following comments with respect to GSS/GSM's revised budget:

- In its letter of April 4, 2016, with respect to budget of interveners, the PUB indicated that it shared Manitoba Hydro's concern that the GSS/GSM's original budget was significantly higher than other interveners who are intervening in this process on all issues. As such, the PUB reduced GSS/GSM's budget to \$230,000 (including disbursements), which compared to the budgets approved for the Green Action Centre and MIPUG. Manitoba Hydro notes that the GSS/GSM is seeking additional funding that is 1.5 times the additional funding being requested by MIPUG.
- GSS/GSM's budgets have included hourly rates for expert consultants that are significantly above the PUB's maximum allowed fees. For example, GSS/GSM's weighted blended hourly rate is \$350.50 USD per hour (or approx. \$469 CAD) compared to \$197 CAD per hour for MIPUG's consultant, and a blended rate of \$230 CAD per hour for GAC's consultant, which are in line with the maximum fees allowed in the PUB's Policy and Billing Rates for Advisory Services. Manitoba Hydro notes that if the GSS/GSM's hourly rates for expert consultants were in line with the PUB maximum allowable hourly rates, its overall budget would be approximately \$55,000 USD¹ lower than currently requested, and as such no additional funding would be required.
- Manitoba Hydro also notes that the GSS/GSM did not ask any Information Requests (IRs) during this review process and provided a brief written submission on issues not subject to oral evidence and no Reply Submission. Manitoba Hydro further notes that GSS/GSM's revised budget includes \$5,600 for preparation of IRs by its expert consultant, although no IRs

¹496 consulting hours X \$110.50 (\$350.50 blended hourly rate requested minus the PUB's maximum hourly rate for consultants of \$240/hr.)=\$54,808

were submitted. GSS/GSM's limited involvement in the IR process and the review of issues not subject to oral evidence suggests that no additional funding is required.

- Manitoba Hydro further notes that the GSS/GSM has included \$8,412 USD (\$10,925 CAD at the exchange rate of CAD \$1 = USD \$0.77 included in the GSS/GSM revised budget) for "Contingency". In Manitoba Hydro's view, any amount of additional funding related to a contingency should not be approved.

Manitoba Hydro appreciates the opportunity to provide comments, and trusts the above will inform the PUB's decision on awarding additional funding to the above parties. Notwithstanding the above comments, Manitoba Hydro reserves the right to provide comments on the final application for costs of all interveners. Should you have any questions with respect to the forgoing, please do not hesitate to contact the writer at 204-360-3633 or Greg Barnlund at 204-360-5243.

Yours truly,

MANITOBA HYDRO LAW DIVISION

Per:



ODETTE FERNANDES

Barrister & Solicitor