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February 23, 2016

Darren Christle, MPA, B.A., CCLP, P. Log., MCIT
Secretary and Executive Director
The Public Utilities Board
400 - 330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

Dear Mr. Christle:

Re: Cost of Study Review - Model

I have had the opportunity to discuss the Manitoba Hydro letter dated February 22, 2016 with my client MKO.

In 2006 at the last Cost of Service Study our expert, Mr. Dale Hildebrand, commented upon the fact that in order to do a proper evaluation he would require full access to the computer model and to be able to use it in order to effectively simulate rate design changes or proposals for rate design. Part of the reason for having a complete working model and the ability to operate it was so that the expert could both prepare various scenarios for legal counsel and to have legal counsel understand the working model so that alternative scenarios could be reviewed and examined.

The conditions placed by Manitoba Hydro on the use of the model have too many restrictions on the manner in which the model can be used.

To the extent that the Manitoba Hydro proposal appears to restrict the use of the model by only the experts and to only have those experts understand the manner in which it is used limits the ability for legal counsel to have meaningful input. The model should be able to be used by both the experts and legal counsel and any meetings or discussions with respect to how the model operates should include not only the expert but legal counsel as well.

The Manitoba Hydro protocol appears to allow no one but Manitoba Hydro to run different scenarios and then to provide that model to each of the parties. There is no reason to believe that the experts retained by the various interveners will not have the experience or the ability to make the runs on their own and if necessary to provide information as to what underlying assumptions were made or what changes may have been made in the information fed into the computer model. The request by Manitoba Hydro that only the scenarios run by them can be used as evidence limits the ability of the interveners and their experts to put forward the evidence of their belief is in the best interests or appropriate for their clients.

We are not in agreement with Manitoba Hydro's concern that it would be a waste of time to address inconsistent outcomes arising out of different runs using the model. The fact that equally qualified experts on each side may come to a different conclusion seems to form the very basis of testing the assumptions that have been made by each of the parties. The evidence given by each expert to the panel will be reviewed and weighed by the panel. It is not uncommon for experts to come to different conclusions or in fact sometimes come to the same conclusion but use different assumptions. These are not only relevant considerations but important ones for the panel to review in coming to its ultimate conclusion.

The concerns raised by Manitoba Hydro can legitimately be met by ensuring that information is disclosed early in the proceedings so that neither side is met with a brand-new scenario on the eve of the hearing or in the course of the hearing. Even with that caveat, is not unusual for information to come out at the last moment during the course of the hearing that may require either side to propose or run an alternative scenario. Having the model available on both sides could lessen the amount of time required to do the run and in fact having both sides do a run presents an even greater opportunity to come to a correct result in a very short period of time.

We are prepared to work with Manitoba Hydro in safeguarding their proprietary interest in the computer model. Non disclosure to third parties and confidentiality with respect to the information provided and limiting it solely to this Cost of Service Study are not unreasonable demands.

Yours truly,

A handwritten signature in cursive script, appearing to read "G. J. Orle".

George J. Orle Q.C.