

August 25, 2016

BY EMAIL

Ms. Odette Fernandes
Law Department
Manitoba Hydro
22nd Floor – 360 Portage Avenue
Winnipeg, MB R3C 0G8

Registered Interveners
Manitoba Hydro COSS Review
(Per attached list)

**Re: Qualification of Expert Witnesses: Manitoba Hydro's Cost of Service Study
Methodology Review Application and Rate Related Matters**

BACKGROUND:

In Order 84/16, the Board directed that the following issues were the “key issues” subject to cross-examination at the oral portion of the hearing of Manitoba Hydro’s Cost of Service Study Methodology Review (“COSS”):

- (a) The treatment of export costs, including the number of export classes and the allocation of fixed and variable costs to such classes;
- (b) The treatment of net export revenue and the allocation thereof;
- (c) The functionalization, classification and allocation of generation and transmission assets, including the HVDC system and the U.S. interconnection, but excluding wind and coal assets;
- (d) The classification and allocation of demand-side management.

Order 84/16 established the process for the hearing of the Cost of Service Study Methodology Review, including a timetable for the remaining steps in the hearing. This timetable set a deadline of July 29, 2016 for all parties to provide the CVs of their expert witnesses and submissions on the scope of expert witness qualifications. Any

challenges to the scope of expert witness qualifications were to be provided in writing by August 5, 2016. Order 84/16 provided that there would be opportunity for reply to any such challenge.

In accordance with Order No 84/16, Manitoba Hydro, the Green Action Centre, the Consumer Coalition, the GSS/GSM classes, MIPUG, and the City of Winnipeg provided the CVs and witness qualification submissions with respect to their respective experts.

On August 5, 2016, the Consumer Coalition and Manitoba Hydro provided comments on the proposed expert witness qualifications put forward by the parties. The Coalition provided general comments as follows:

- The Coalition accepts that the experts have the requisite expertise in areas such as cost of service methodology and/or rate design.
- The Coalition reserves the right to challenge the relative independence of each witness and the appropriate weight to be given to their evidence.
- The Coalition takes no position on the other areas of claimed expertise, and urges caution in recognizing alleged areas of expertise which are not necessarily relevant to the core underpinnings of any witnesses' evidence, or overly broad or vague characterizations of expertise.

In its correspondence, Manitoba Hydro raised the following objections to MIPUG's proposed qualifications for its expert witness, Patrick Bowman:

- Manitoba Hydro objects to having Mr. Bowman qualified in DSM evaluation and planning. Although Mr. Bowman may have gained experience in terms of DSM cost allocation within cost of service studies, DSM evaluation and planning requires separate and distinct expertise.
- Manitoba Hydro objects to having Mr. Bowman qualified with respect to matters of rate-making and appropriate regulatory principles for a Crown-owned utility, as well as revenue requirement matters.

Manitoba Hydro also requested that the City of Winnipeg provide clarification with respect to the areas in which it was requesting its expert, Mr. Todd, be qualified.

Also on August 5, 2016, the City of Winnipeg provided its response to Manitoba Hydro's comments and confirmed that, with respect to the oral hearing, it was seeking to have Mr. Todd qualified on the issue of net export revenue.

By letter dated August 10, 2016, the Board provided opportunity for reply to the comments raised with respect to the proposed expert witness qualifications.

On August 15, 2016, MIPUG provided its reply to Manitoba Hydro's comments on the proposed expert witness qualifications for Mr. Patrick Bowman. MIPUG noted that Manitoba Hydro does not object to Mr. Bowman's qualifications in respect of resource and system planning and functionalization, classification and allocation in cost of service analysis. MIPUG submitted that skills in the evaluation and planning of DSM are core to Mr. Bowman's determination of the appropriate role of DSM in resource and system planning and the appropriate functionalization, classification and allocation of DSM costs.

MIPUG further submitted that Manitoba Hydro's comments on qualifying Mr. Bowman with respect to rate-making and appropriate regulatory principles for a Crown-owned utility, as well as revenue requirement matters did not appear to be an objection to Mr. Bowman's qualifications, but only to the recognition of these qualifications for the present hearing. MIPUG submitted that there was no detriment to including these areas in Mr. Bowman's expertise, and that many of the listed areas were relevant to the matters at hand.

QUALIFICATION OF EXPERT WITNESSES

1. With respect to the Board's determination of the qualifications of witnesses to give expert opinion evidence in this proceeding, the Board notes that the purpose of the Cost of Service Study is to allocate Manitoba Hydro's revenues and costs among customer classes. Although COSS can assist in the setting and evaluating of customer class rates, the COSS is not itself a component of rate setting. The Board has taken the scope of the COSS into account in deciding on the qualifications of expert witnesses.
2. In order for expert witnesses to address matters within the scope of the COSS, it is not necessary to qualify expert witnesses on the following issues: hydroelectric regulation, the design and marketing of DSM programs, DSM measurement and verification, rate-making and appropriate regulatory principles of a Crown-owned utility providing a service at cost, and revenue requirement matters and analysis.
3. In view of the foregoing, for the purpose of the oral hearing and the evidence given on issues not subject to the oral hearing, and in consideration of the expert CVs and submissions received from the parties, the Board qualifies expert witnesses as follows:
 - Michael O'Sheasy, Robert Camfield, Bruce Chapman, William Harper, Paul Chernick, Patrick Bowman, A.J. Goulding and John Todd on the issues of (1) cost of service – functionalization, classification and allocation of costs, (2) rate design and (3) DSM classification and allocation of costs.

4. The Board notes that, as confirmed by the City of Winnipeg, Mr. John Todd will be giving evidence at the oral concurrent evidence session on the issue of net export revenue only.
5. The Board's consideration of the "key issues" for oral hearing will include determination of the appropriate weight to be given to the evidence of each expert witness.

CONCLUSION:

Please address any questions you may have at this time to the attention of the writer.

Yours truly,

"Original Signed By:"

Darren Christle, MPA, B.A., CCLP, P.Log., MCIT
Secretary/Executive Director

DC/dv

cc: Bob Peters, Board Counsel
Greg Barnlund, Manitoba Hydro
Shannon Gregorashuk, Manitoba Hydro