

August 31, 2016

Ms. Odette Fernandes
Law Department
Manitoba Hydro
P.O. Box 815
Winnipeg, MB R3C 2P4

and

Approved Interveners

Dear Madame/Sir:

Re: Scope of “Key Issues” for Oral Hearing: Manitoba Hydro’s Cost of Service Study Methodology Review Application and Rate Related Matters

BACKGROUND:

In Order 84/16, the Board explained that the Workshops were informational in nature and neither intended nor suitable to fully supplant the hearing process. As such, the Board identified the “key issues” that are in scope for 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 directed that all other issues were to be addressed by all Parties, in writing, and established the timetable for delivery of written submissions and written reply submissions. In accordance with Order 84/16, the parties filed written submissions and written reply submissions.

By letter dated August 25, 2016, Manitoba Hydro wrote to the Board to identify its view that there was confusion among the parties regarding which issues were to be addressed in writing, instead of at the oral hearing. Specifically, Manitoba Hydro detailed its view that Order 84/16 had identified the issues that are in scope for the oral hearing to be the major issues which had the greatest impact on the COSS, while other issues which did not have a significant impact, namely the Uniform Rates Adjustment (URA), the Affordable Energy Fund (AEF) and the Curtailable Rates Program (CRP) application of credit would be dealt with in the written submissions. Manitoba Hydro noted that the treatment of the URA and the AEF and the CRP credit allocation were not specifically identified by the PUB as “Key issues” for the oral hearing, and requested confirmation from the Board that these issues are considered closed.

In a letter dated August 26, 2016, the Consumer Coalition (Coalition) provided comments in response to Manitoba Hydro’s letter. The Coalition submitted that the URA, AEF and CRP are within the scope of the oral process, identifying its view that the CRP is captured under Key Issue 4 – the classification and allocation of demand-side management – and that the AEF and URA costs are captured under Key Issue 1 – the treatment of export costs, including the number of export classes and the allocation of fixed and variable costs to such classes. In support of this position, the Coalition noted that the CRP is one of Manitoba Hydro’s demand-side management programs, that AEF and URA costs are currently directly assigned to exports, and that these issues were not specifically excluded from the “key issues” for the oral hearing. In addition, Order 84/16 did not identify the impact of issues as being the basis for determining which issues were “key issues”. The Coalition took the position that it would be highly prejudicial if it were not permitted to address the AEF, URA and CRP issues at the oral hearing, while there would be no material detriment to the other parties if the issues were within scope for the oral hearing.

By letter dated August 29, 2016, the Green Action Centre (GAC) indicated its agreement with the position advanced by the Coalition. The GAC submitted that reviews of the URA, AEF and CRP are required components of the analysis of the allocation Net Export Revenue, one of the “key issues” for oral hearing.

SCOPE OF KEY ISSUES FOR ORAL HEARING

1. Order 84/16 identified the key issues for further oral evidence beyond the testimony given at the informational Workshops. The Board also specifically excluded certain issues from the “key issues”, namely the functionalization, classification and allocation of wind and coal assets.
2. The URA and AEF are currently directly assigned to the export class. PCOSS14 Amended continues this treatment. As such, the treatment of these costs is within the scope of Key Issue 1 — the treatment of export costs, including the number of export classes and the allocation of fixed and variable costs to such classes.
3. The CRP is a demand-side management program. Therefore, the treatment of the CRP is within the scope of Key Issue 4 — the classification and allocation of demand-side management.
4. As noted by the GAC, the treatment of the URA, AEF and CRP also fits within Key Issue 2 – the treatment of net export revenue and the allocation thereof.
5. The Board has considered the submission of the Coalition that it did not address the URA, AEF and CRP issues in its written submissions due to its view that these issues were within the scope of the oral hearing. The Board notes that, while some parties addressed some or all of these issues in their written and/or written reply submissions, these issues are within the scope of the “key issues” for the oral hearing.
6. Given the foregoing, and within the boundaries of the process established in Order 84/16, all parties may address the treatment of the URA and AEF and the CRP credit application in their presentations in the course of the oral hearing, and will further be permitted to ask questions regarding these issues in cross-examination of Manitoba Hydro’s witnesses and during the concurrent evidence session.

Yours truly,

“Original Signed By”

Kurt Simonsen
Associate Secretary

KS/df

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