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MANITOBA PUBLIC UTILITIES BOARD

RE:

MANITOBA HYDRO'S
APPLICATION FOR APPROVAL OF
ENERGY INTENSIVE INDUSTRIAL RATES

Before Board Panel:

- Graham Lane - Board Chairman
- Robert Mayer - Board Member
- Susan Proven - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
December 10th, 2008

Pages 468 to 677

APPEARANCES

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3
4 Patti Ramage) Manitoba Hydro
5 Janet Mayor)
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7 Byron Williams) Coalition
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9 John Landry) MIPUG
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11 Michael Anderson (np)) MKO
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1 --- Upon commencing at 9:14 a.m.

2

3 THE CHAIRPERSON: Good morning, everyone.

4 Mr. Williams...?

5

6 MANITOBA HYDRO PANEL:

7 VINCE WARDEN, Resumed

8 ROBIN WIENS, Resumed

9 MICHAEL DUDAR, Resumed

10 HAROLD SURMINSKI, Resumed

11 DAVID CORMIE, Resumed

12

13 CONTINUED CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

14 MR. BYRON WILLIAMS: Yes, good morning,
15 Mr. Chairman and Members of the Board.

16 Mr. Cormie, I -- I want to remind you that
17 you're -- you're under oath. Can you tell me the -- the
18 time that you received in your marathon this week?

19 MR. DAVID CORMIE: I have an excuse. It
20 was four (4) hours and twenty-four (24) minutes and two
21 (2) seconds.

22 MR. BYRON WILLIAMS: How does that
23 compare to your best time, Mr. Cormie?

24 MR. DAVID CORMIE: My best time is three
25 (3) hours and fourteen (14) minutes.

1 MR. BYRON WILLIAMS: Mr. -- Mr. Chairman,
2 I don't have a lot of questions for this side of the
3 panel and they were feeling a little hurt so we -- I
4 apologize for -- for wasting Mr. Peter's precious time.

5 And just a cleanup from yesterday, which
6 is -- s not -- it's more of -- of interest to my client,
7 Mr. Dudar, than perhaps central to the issues of this
8 hearing, but I believe you indicate in your discussion
9 with Mr. Peters that there are -- there are jurisdictions
10 with higher rates than Manitoba, that are not necessarily
11 -- have higher efficiency participation among the larger
12 industrials.

13 Is that correct, sir?

14 MR. MICHAEL DUDAR: That's correct.

15 MR. BYRON WILLIAMS: And I wonder, at
16 least for illustrative purposes, if you can give me some
17 examples of which jurisdictions you were referring to,
18 and which data you were -- you were relying upon for
19 that.

20 MR. MICHAEL DUDAR: I -- an easy example
21 would be Ontario. I -- I don't have the specific
22 information on the differential between energy rates in -
23 - in Manitoba and Ontario; Mr. Wiens can probably provide
24 that. But I do know that -- but -- but I do know that
25 they -- they have the higher rates and -- for -- for

1 industrial -- for all -- all rate classes in Manitoba. I
2 -- I might say maybe 70 percent more. Maybe higher.

3 And in talking with companies that have
4 facilities in both Manitoba and -- and Ontario, and the
5 example might be Vale Inco, when -- when you look at the
6 efficiency improvements that Inco has implemented in
7 Manitoba -- in their Manitoba facility, compared with
8 those in -- in Ontario, Inco has been able to improve
9 their -- their overall productivity where energy
10 efficiency was a component of that productivity increase,
11 probably since the late '90's when nickel was below two
12 dollars (\$2) a pound. Corporately they had a 10 percent
13 target to reduce -- or to increase productivity.

14 And -- and they -- they were very
15 aggressive with the low electricity prices in Manitoba to
16 make energy efficiency part of their corporate culture.
17 And -- and they implemented a lot of efficiency
18 improvements within their facility in Manitoba to -- to
19 improve that productivity. They didn't -- even at higher
20 prices in Ontario, they didn't implement the same sorts
21 of measures that they did in -- in Thompson.

22 And -- and one (1) of the differences, I -
23 - I believe, is the -- the technical assistance that the
24 companies in Manitoba receive in making it easy for them
25 to participate in energy efficiency programs.

1 An example: Inco has focussed on
2 producing nickel. Energy is a means to an end. And --
3 and we've been told that if the financial incentive isn't
4 over fifty thousand dollars (\$50,000), I'm not going to
5 be able to spend a lot of time doing paperwork. And --
6 and so we've -- we've developed this relationship where
7 the account reps work with the engineers in my business
8 engineering group to make it easy for customers to
9 participate.

10 So the account reps will do the paperwork
11 for Inco. They'll bundle it up, package it, so that the
12 plant manager, the -- the utility's supervisor has to
13 review it and -- and approve the project. So -- so you
14 need to have that other component.

15 So higher prices will help but they're not
16 the end-all and be-all, because you have to do other
17 things to get that energy efficiency implemented. And
18 they're not doing that in Ontario.

19 MR. BYRON WILLIAMS: Thank you very much
20 for that, Mr. Dudar.

21 And we're going to, just because we're
22 picking up in the middle of a -- of a discussion, Mr.
23 Wiens, maybe if -- and if you want to just have the
24 Corporation's response to RCM/TREE-1-22 nearby, that
25 would be helpful. And for the assistance of the Board, a

1 little later today I'll be coming to the rebuttal
2 evidence of Manitoba Hydro, particularly Attachments 1, 2
3 and 3. So if -- if you don't have them nearby you may
4 want them in a -- in a few minutes, perhaps half an hour.

5 And, Mr. Wiens, offline the Vice Chair
6 told me I had only five (5) minutes to complete my cross-
7 examination today so, I'll -- no, I'm just teasing --
8 I'll be quick.

9 But just to kind of recap where we were
10 yesterday for -- for a couple of seconds, you'll recall I
11 discussed with Mr. Dudar the -- the significant costs and
12 administrative challenges associated with the energy
13 intensive rate even for ten (10) firms.

14 Do you recall that?

15 MR. ROBIN WIENS: I do recall that.

16 MR. BYRON WILLIAMS: And you also, and I
17 believe I had this discussion with you, you volunteered
18 this fact, although the energy intensive rate is
19 capturing, at least at first glance, at most ten (10)
20 customers, that you'll agree with me that these customers
21 are responsible for about 94 percent of the usage of that
22 class greater than 30 kV.

23 Is that fair, sir?

24 MR. ROBIN WIENS: Yes.

25 MR. BYRON WILLIAMS: And in fact you

1 agreed, doing some quick mathematical calculations in
2 your head, that they're probably about 75 percent of the
3 -- of the GS Large class as a whole.

4 Would that be fair?

5 MR. ROBIN WIENS: Yes.

6 MR. BYRON WILLIAMS: And we'll come to
7 this a bit later, so we don't need to go to the data at
8 this point in time, and -- and we did not discuss it
9 yesterday, but you -- you'd agree with me that an
10 argument can be made that these ten (10) firms are --
11 have disproportionately contributed to the growth of this
12 group in the past, in terms of energy use.

13 Would that be fair?

14 MR. ROBIN WIENS: Yes.

15 MR. BYRON WILLIAMS: And likewise that
16 they're projected over the short term to
17 disproportionately contribute to this growth over the
18 next five (5) to ten (10) years.

19 Would that be fair?

20 MR. ROBIN WIENS: Yes.

21 MR. BYRON WILLIAMS: Looking now at the
22 response to RCM/TREE-1-22, I'll draw your attention to
23 the last paragraph and I'll read it in just for the
24 benefit of the record. You can confirm whether I've read
25 it correctly or not:

1 "Approval of the EIIR rate has been
2 given priority by Manitoba Hydro,
3 because the largest customers are
4 disproportionately responsible for load
5 growth among the overall GS Large
6 class. Once this rate is established,
7 Manitoba Hydro intends, if feasible, to
8 implement inverted rates for all GS
9 Large customers and the EIIR provisions
10 would be rolled into the new rate
11 structure."

12 Roughly, did I get that right, Mr. Wiens?

13 MR. ROBIN WIENS: Yes.

14 MR. BYRON WILLIAMS: I want to focus on
15 those words "if feasible, to implement inverted rates for
16 all GS Large customers".

17 Does Manitoba Hydro have reservations
18 about the feasibility of implementing inverted rates for
19 all GS customers?

20 MR. ROBIN WIENS: Well, in terms of the
21 mechanics of designing an inverted rate, that is probably
22 quite feasible. But you -- you too will recall your
23 discussion with Mr. Dudar yesterday, in which we
24 discussed the issues involved in the -- what would have
25 to be done with the entire customer group to whom you

1 wanted to apply a -- a rate design such as inverted
2 rates.

3 And those -- that exercise would be
4 necessary. The further down you pushed the application
5 of rate the larger the administrative burden would be. I
6 note that -- I don't have the customer count, but I note
7 that in British Columbia, for example, the application of
8 inverted rate is restricted to those customers who are
9 served at 69 kV and above, which would in -- in the case
10 of Manitoba Hydro here would be somewhere around three
11 thirty (30) customers if not even a little fewer, if --
12 if we were to adopt the same criteria as -- as British
13 Columbia Hydro.

14 If you wanted to go beyond and involve the
15 customers in the under 30 kV, the two hundred and fifty-
16 two (252) customers, or two hundred and fifty-two (252)
17 service points, and -- and possibly two hundred and
18 thirty/two hundred and forty (230/240) customers, there's
19 a lot of work involved in that.

20 MR. VINCE WARDEN: Mr. Williams, maybe
21 I'll just jump in here for a moment. I -- I really want
22 to make it very clear that Manitoba Hydro has no plans --
23 no plans at all -- whatsoever, at this point in time, to
24 expand the energy intensive rate beyond what's included
25 in this application.

1 The "if feasible," really includes looking
2 at this, first of all, from a rates and regulatory
3 perspective and then going through the process, and
4 Manitoba Hydro going through all the reviews that are
5 necessary to bring something forward. We have not done
6 any of that work yet. And this is a very preliminary
7 type of a statement that has really -- when we think
8 about it now, has really no application in -- in this
9 proceeding.

10 MR. BYRON WILLIAMS: Just where I want to
11 get at, and -- and Mr. Wiens may -- may have
12 misunderstood me, I wasn't talking about -- and maybe I'm
13 misunderstanding Mr. Wiens. When I think of the energy
14 intensive rate I'm distinguishing -- which is not
15 designed to revenue -- revenue neutral in the class, I'm
16 distinguishing between that and other efficiency options
17 such as inverted rates or time-of-use rates.

18 Do -- do you make that same distinction,
19 Mr. Wiens?

20 MR. ROBIN WIENS: This is -- this Energy
21 Intensive Rate Application is a form of inverted rate,
22 but it's -- it's specific and it's directed at the types
23 of purposes that we talked about earlier. If you're
24 talking about a more generalized form of inverted rate,
25 it -- it's somewhat different. It's the same as what

1 we're proposing here.

2 MR. BYRON WILLIAMS: And -- and one (1)
3 of the differences is, with a more generalized form of
4 inverted rate you may be looking at keeping the class as
5 a whole revenue -- implement it on a revenue neutral basis,
6 but sending better efficiency signals for that -- that
7 last block of consumption.

8 Is that fair?

9 MR. ROBIN WIENS: That's certainly an
10 option, yes.

11 MR. BYRON WILLIAMS: And -- and where I'm
12 going Mr. -- Mr. Wiens, just -- just so you can
13 understand, and certainly I'm Mr. -- Dr. Miller's behind
14 perhaps asking the some of the same questions -- if we
15 conceive of this application as focussing on, you know,
16 addressing and what the Corporation considers to
17 be a pressing problem, that being expansion of energy
18 intensive large load, the question then becomes, in -- in
19 terms of the broader goals of energy efficiency, where is
20 the Corporation planning to go with this -- this class of
21 customers?

22 You've gone to inverted rates already, to
23 a -- to a small degree with residential. So I'm looking
24 for some guidance from the Corporation in terms of the
25 feasibility of a revenue neutral inverted rate or revenue

1 neutral time-of-use for the General Service Large class
2 or General Service class, sir.

3 MR. ROBIN WIENS: Well, Mr. Williams, I've
4 just now discussed in terms of some of the difficulties
5 of even expanding that type of a concept within the
6 overall General Service Large class.

7 That is magnified many, many times when
8 you try to take it into the General Services classes,
9 Medium and Small, that -- because you've got such a large
10 number of customers and such -- and such a diverse array
11 of customers, it becomes very difficult to have a -- an
12 inverted rate structure that's going to work reasonably
13 well for everyone.

14 Within the Residential class, you've noted
15 that we have started down that road. The Residential --
16 even the Residential class has issues, but one (1) of
17 them with the Residential class is not the you're going
18 to set up a baseline energy for every customer. You may
19 wind up identifying two (2) or three (3) customer groups
20 that might reasonably have different baseline energies
21 but the same baseline would be applied to every member of
22 those groups. When you get into General service, it gets
23 a little more complicated and we haven't even begun to
24 address the complexities of that.

25 MR. BYRON WILLIAMS: Mr. Chairman, there

1 appears to be some magic between Mr. Dudar's mic and
2 myself. They seem to spontaneously go on and off, so I'm
3 not sure what that's telling me.

4 But, thank you very much for that
5 thoughtful answer, Mr. Wiens, and -- and recognizing and
6 again, just to give my -- my -- my clients a bit of a
7 sense of the -- the Corporation's roadmap on -- on this
8 subject, is this something that -- that if the
9 Corporation were to walk down the line -- farther down
10 this line, it's really something that -- that were --
11 talked about twelve (12) -- twelve (12) to eighteen (18)
12 months down the line?

13 Or how far down the line do you see this
14 occurring, sir?

15

16 (BRIEF PAUSE)

17

18 MR. ROBIN WIENS: We would like to be
19 able to bring something dealing with both issues of
20 inverted and time-of-use rates to the next General Rate
21 Application.

22 MR. BYRON WILLIAMS: Just turning very
23 quickly to time-of-use rates, and I'm sure that Mr. Gange
24 will talk with you or some of my other colleagues, so I
25 won't belabour it, but I wonder if you can turn for a

1 second to the Corporation's response to Information
2 Request PUB-1-16D, please?

3

4 (BRIEF PAUSE)

5

6 MS. PATTI RAMAGE: Which subpart, Mr.
7 Williams?

8

9 CONTINUED BY MR. BYRON WILLIAMS:

10 MR. BYRON WILLIAMS: Sub D, please. Do
11 you have that, Mr. Wiens?

12 MR. ROBIN WIENS: Yes, I do.

13 MR. BYRON WILLIAMS: And just a couple
14 questions to help out Mr. Harper, who's watching
15 interestedly from afar. In terms of your response, your
16 -- the question posed was:

17 "Under what conditions does Hydro
18 support the concept of time-of-use
19 rates in the context of energy
20 conservation and/or revenue gains?"

21 Is that right, sir? That was basically
22 the context of the question.

23 MR. ROBIN WIENS: Yes, I see that.

24 MR. BYRON WILLIAMS: Just to that point,
25 when the Corporation is looking at the -- the concept of

1 time-of-use rates in the future, is it really focussed on
2 energy conservation or revenue gains? I'm presuming it -
3 - you're -- intend it to be a revenue neutral kind of
4 exercise?

5 MR. ROBIN WIENS: Well, there's prob --
6 there's certainly an energy conservation aspect,
7 particularly when you bring the inverted rates into the
8 equation. The -- the time-of-use aspect is really aimed
9 at encouraging customers where possible, where they can
10 do it, to shift their demands into time periods in which
11 energy is less costly. There is an economy that's
12 associated with that, when a -- when a customer's able
13 to, say, move their -- shift their load from a situation
14 where the marginal cost of supply is, say, eight (8)
15 cents a kilowatt hour to one where it's three (3) or four
16 (4) cents a kilowatt hour.

17 Whether that involves a revenue gain or
18 not is going to depend on the specific design and that
19 design can be -- can be made to or can have the effect of
20 providing all the benefits of that shift to the customer
21 who's making the shift or there can be some sharing of
22 the benefits.

23 MR. BYRON WILLIAMS: Okay, thank you for
24 that. And just into point 2 of your answer, Hydro
25 references a general -- a need of General Service Large

1 customers to have a meaningful capability to shift loads
2 from peak to off-peak periods in response to rate
3 differentials. And -- and just -- if you could assist me
4 in terms of what the Corporation means by a meaningful
5 capability to shift.

6 MR. ROBIN WIENS: Well, we would want to
7 be able to see some measurable capability. You're going
8 to have -- when you -- if you introduce a time-of-use
9 rate there will be some customers who may benefit
10 immediately from that time- of-use rate, simply because
11 that's the way their loads are structured today. You may
12 have heard Mr. Kuczek refer to that kind of benefit in
13 another context, as -- as a free rider. That doesn't
14 provide any benefit to the system.

15 And what we really want to see are
16 customers who have a capability, either because they have
17 -- they have or are able to build surplus capability to
18 produce, so they can shift from one time period to
19 another, so that it's going to produce a meaningful
20 result in terms of reducing the overall cost of energy to
21 Manitoba Hydro and its customers.

22 So what -- what's meaningful -- well, you
23 would want to see, I would expect, at least -- at least
24 as much actual load shifting as you were seeing free
25 ridership. That's probably not very specific, but in

1 terms of actual quantities I don't know what those actual
2 quantities are, but qualitatively to give you an idea of
3 what might be meaningful.

4 MR. BYRON WILLIAMS: And thank you. And
5 I won't belabour this point. In terms of the
6 Corporation's understanding of the -- the marketplace, in
7 terms of General Service Large customers, has the
8 Corporation identified target firms, which it believes
9 currently have a meaningful capability to shift loads
10 from peak to off-peak?

11 MR. MICHAEL DUDAR: I -- I guess -- we --
12 we've had discussions with customers regarding their
13 ability to easily participate in both inverted rates and
14 time-of-use rates. And -- and for customers with large
15 labour forces where the cost of shifting labour from a
16 day shift to an evening or a midnight shift and -- and
17 any potential union issues brought up by that, might --
18 might outweigh the -- the energy savings that they --
19 that they get from that.

20 And -- and so while there are a number of
21 customers that can easily do this, some even with
22 significant labour forces, they may have the ability to
23 store some of their product and shift production that
24 way, where they're not moving their -- their staff
25 around. But for companies that -- that are -- are unable

1 to do that easily, they may not benefit from this -- this
2 type of a rate.

3 So -- but we haven't done any detailed
4 analysis on which customers may or may not be able to
5 easily participate in a time-of-use or inverted rate
6 program.

7 MR. BYRON WILLIAMS: Last point on this.
8 And -- and just from my general reading on this subject,
9 is it the Corporation's understanding that where these
10 time-of-use rates are offered to large industrial
11 customers they're well used?

12 MR. MICHAEL DUDAR: It -- it's -- I guess
13 it -- it varies. It's our understanding that when --
14 when the time-of-use rate was offered in -- in BC that
15 there weren't any companies that -- that elected to -- to
16 take that -- that offering. But that's just our
17 understanding.

18 So it -- it's -- it really varies by the
19 region and by the customer.

20 MR. BYRON WILLIAMS: And just -- Mr.
21 Peters played the role, he described it yesterday as
22 devil's advocate, suggesting the very well received idea
23 of individual rates with a -- being separately negotiated
24 with -- with large -- large users. And my observation
25 was I'm not sure Mr. Warden was buying that. I guess,

1 just to assist my client because they're trying to
2 understand this, I wonder if -- if I can throw another
3 devil's advocate idea out at you and just get a kind of a
4 high level response from the Corporation.

5 Would you be prepared to do that, Mr.
6 Warden? Or -- or the team there somewhere?

7 MR. VINCE WARDEN: Sure.

8 MR. BYRON WILLIAMS: And just one (1)
9 other concept my clients have been thinking of, and you
10 can tell me the pros and cons, is an alternative to the
11 proposed approach would be to implement a system
12 expansion or capital -- or a system expansion or capital
13 contribution charge that would apply whenever a company
14 required an increase in service capability or new service
15 was required.

16 This charge could be calculated so as to
17 capture not only local transmission and distribution
18 increases, but also the -- the cost of generation, which
19 could include the opportunity cost of exports. Such a
20 contribution calculation would also recognize expected
21 revenues at domestic rates as an offset.

22 Just a -- so I guess the thinking behind
23 this is that it would provide customers with electricity
24 at domestic rates for all electricity the system is
25 currently able to supply them and require contribution

1 only when supply capability must be increased. It could
2 be graduated and a -- so that's just the basic concept.
3 I've just wondering at a -- at a high level, if you have
4 any thoughts or response to that.

5 MR. VINCE WARDEN: The -- the concept of
6 requiring capital contributions was -- we certainly
7 looked at that within Manitoba Hydro and there are, of
8 course, in accordance with our service extension
9 policies, certain capital contributions that are required
10 today from customers, depending on -- on the cost to
11 serve those customers and the revenue return -- projected
12 revenue return from those -- those customers.

13 To -- to have a capital contribution
14 substitute though for what we have here today, would
15 require, I think, a -- disproportionate contributions
16 from -- from customers; that is, some customers,
17 depending on how close they were to the -- our
18 transmission facilities would require larger
19 contributions than others.

20 So there would be a -- could be a degree
21 of unfairness, just depending on the luck of the draw for
22 certain customers. Or the customer -- the contra -- the
23 customer contribution would be so onerous as to
24 discourage growth. So I -- I think for those two (2)
25 reasons, the size, the -- perhaps on -- some unfairness

1 that might arise with that method, we would not -- we
2 would not favour that approach.

3 MR. BYRON WILLIAMS: And I'll move on but
4 any positives to that kind of approach, or is it -- that
5 you can think of, Mr. Warden, compared to your current
6 approach?

7 MR. VINCE WARDEN: Well, other than, you
8 know, keeping the rates low for customers. The revenue -
9 - the cost -- Manitoba Hydro's costs have to be recovered
10 one way or the other and we look in setting rates, and
11 our service extension policies look for fairness and I
12 don't think that pass the test. But the only advantage,
13 I think, would be to keep the rates -- rates low.

14 MR. BYRON WILLIAMS: Thank you. Probably
15 to -- to Mr. Wiens, you're aware that certainly in the
16 evidence of -- of Mr. Bowman and Mr. McLaren and you
17 don't need to turn there, I don't think, but there's
18 reference to alternative regulatory approaches,
19 especially those flowing from British Columbia.

20 Do you recall that, to this issue?

21 MR. ROBIN WIENS: Yes, I do.

22 MR. BYRON WILLIAMS: And you're also
23 aware that in the evidence of Mr. Ostergaard -- and
24 again, you don't need to turn here, I don't think, but at
25 pages 9 to 12 there's a reference to the -- the BC Hydro

1 tariff.

2 Do you recall that, Mr. -- Mr. Wiens?

3 MR. ROBIN WIENS: Yes, I do.

4 MR. BYRON WILLIAMS: My understanding, in
5 terms of Mr. Ostergaard's description of the -- the BC
6 approach, is that -- and I -- if you're looking for a
7 reference again, I don't think you need to turn here, but
8 it's page 10, lines 14 to 18 -- is that if the new or
9 incremental load exceeds 150 MV.A, roughly 150 megawatts,
10 depending on load factor and power factor, an industrial
11 customer is also required to pay the capital costs of
12 generation needed to serve the new load.

13 Is -- is that your understanding, as well,
14 Mr. Wiens?

15 MR. ROBIN WIENS: Yes, my understanding is
16 that there is provision. I am not aware of any of the
17 details as to how that contribution might be calculated
18 for generation. And certainly it's only going to affect
19 the very largest of the customers that might be
20 connecting to the BC Hydro system.

21 MR. BYRON WILLIAMS: And that's the point
22 I just want to -- to get to, Mr. Wiens. Just roughly at
23 100 per -- percent load factor, would it -- would it --
24 would you agree with me that if we look at 150 mW that
25 would be the equivalent of about 1,314 gigawatt hours?

1 Would that be correct, sir?

2 MR. ROBIN WIENS: That -- that sounds
3 reasonable, if -- 100 percent load factor. That would be
4 precisely correct.

5 MR. BYRON WILLIAMS: I'm doing better in
6 my old age with my -- my calculations. And obviously
7 this is significantly higher than the -- the 100 gigawatt
8 hours in the -- in the Manitoba proposal?

9 MR. ROBIN WIENS: Yes.

10 MR. BYRON WILLIAMS: Just if you were to
11 use that kind of the -- a figure similar in magnitude to
12 the BC proposal would that -- would that capture any of
13 the foreseen energy intensive growth in Manitoba in the -
14 - in the foreseeable future?

15

16 (BRIEF PAUSE)

17

18 MR. ROBIN WIENS: I -- I don't see that
19 capturing any of the loads that are coming on in the near
20 term that we have some degree of certainty about.
21 Looking forward, some of the prospective loads that we've
22 talked about previously; large server farms, aluminum
23 smelters would certainly be captured by that.

24 MR. BYRON WILLIAMS: Thank you. The
25 corporation -- again, you probably don't need to turn

1 here, but you may want to want nearby your responses to
2 PUB/Manitoba Hydro-1-11G, H, and I, please. And again,
3 I'm not sure who this goes to, but I'll start with you,
4 Mr. Wiens and you can send me up or down the food chain
5 as you -- as you prefer.

6 You'll recall that you had a discussion --
7 I want to get at -- at who's actually likely to be affected
8 by the energy intensive rate. And you'll -- you'll
9 recall your discussion with Mr. Peters, and -- and if I
10 heard it correctly, you suggested to him that the firms
11 that would -- are -- are likely to anticipate to pay this
12 rate at the second block level, are -- are probably three
13 (3) to four (4) existing firms and perhaps one (1) new
14 firm.

15 Would that be fair, sir?

16 MR. ROBIN WIENS: Yes.

17 MR. BYRON WILLIAMS: And would it be fair
18 to say, in terms of the nature of the industries that are
19 -- that are likely to be paying this energy intensive
20 rate, some component will be from the -- the chemical
21 industry?

22 Would that be fair?

23 MR. ROBIN WIENS: Yes.

24 MR. BYRON WILLIAMS: And also another
25 component will be the petroleum industry.

1 Would that be fair?

2 MR. ROBIN WIENS: Yes.

3 MR. BYRON WILLIAMS: And would it be fair
4 to say that in the, at -- at least the early years of the
5 program, the two (2) elements of the industry that would
6 be affected would be the chemical and petroleum industry?

7 MR. ROBIN WIENS: Yes.

8 MR. BYRON WILLIAMS: And there's the
9 possibility that this proposal could affect some
10 customers in the primary metal sector, in terms of the
11 second block rate, but that's not certain that it will
12 affect them in terms of having to pay the second block
13 rate.

14 Would that be fair?

15 MR. ROBIN WIENS: Yes.

16 MR. BYRON WILLIAMS: So at least in the
17 short-term there's a strong possibility that only
18 chemical and petroleum firms will be affected.

19 Would that be fair?

20 MR. ROBIN WIENS: Yes.

21 MR. BYRON WILLIAMS: This probably goes
22 to Mr. Dudar. And -- and I did, to assist -- I do want
23 to push a -- put a hypothetical to him, and to assist the
24 -- the Hydro panel and observers I've had it typed out.
25 I've shared it with Ms. Ramage. I haven't shared it with

1 the Board yet, Ms. Ramage. I -- do you have any
2 objections with me just -- just to assist the Board in
3 reading along?

4 MS. PATTI RAMAGE: No, I have no
5 objection. It -- it may be helpful to mark it for
6 identification purposes.

7 MR. BYRON WILLIAMS: And while we're at
8 it, Mr. Chairman, there are two (2) other exhibits that I
9 -- that I'd like put in. And what I'm hearing Ms. Ramage
10 is -- is saying, in terms of the first one, which is the
11 hypothetical, we just mark it for identification purposes
12 and also, though, that there is an Information Response
13 from the General Rate Application PUB/Manitoba Hydro-1-
14 83, and also an excerpt from the -- or a table prepared
15 based upon the 2008 load forecast, which with -- unless
16 Hydro has objections, I'd like to distribute at this
17 time.

18 MS. PATTI RAMAGE: No objection.

19

20 (BRIEF PAUSE)

21

22 THE CHAIRPERSON: Okay, Mr. --

23 MR. BYRON WILLIAMS: Mr. Gaudreau is
24 giving me sign language. But I think they --
25 numerically, they could be marked as Exhibits number 2,

1 3, and 4.

2 THE CHAIRPERSON: So which do you prefer
3 to be two (2), Scenario 1?

4 MR. BYRON WILLIAMS: Just to confuse
5 things, Mr. Chairman. Thank you.

6 MR. ROBERT MAYER: And these are being
7 made, just what we would call exhibits in the cause,
8 rather than for identification then?

9 MR. BYRON WILLIAMS: I'm at the Board's -
10 - I'm at the Board's judgment, in terms of that.

11 MR. ROBERT MAYER: What is your request,
12 Mr. Williams?

13 MR. BYRON WILLIAMS: Let's just mark --
14 what I would just suggest is just make it an exhibit. I
15 don't think it's -- it will just help us to -- so mark it
16 as Exhibit 2. And then the Response to PUB/Manitoba
17 Hydro-1-83 is Exhibit 3. And then the table, Manitoba
18 2008 Load Forecast, Exhibit 4.

19 THE CHAIRPERSON: Very good, Mr.
20 Williams.

21 MR. BYRON WILLIAMS: Process-wise it
22 might not be entirely correct, but I think it's the
23 easiest.

24

25 --- EXHIBIT NO. COALITION-2: Scenario 1

1 --- EXHIBIT NO. COALITION-3:

2 Response to PUB/Manitoba Hydro-1-83

3

4 --- EXHIBIT NO. COALITION-4:

5 Manitoba 2008 Load Forecast

6

7 CONTINUED BY MR. BYRON WILLIAMS:

8 MR. BYRON WILLIAMS: Mr. Dudar, you --
9 you did have a discussion with Mr. Peters, I believe it
10 was yesterday, in terms of issues about the challenges of
11 creating a level playing field, in terms of the energy
12 intensive rate.

13 Is that fair, sir?

14 MR. MICHAEL DUDAR: That's correct.

15 MR. BYRON WILLIAMS: And what I'm going
16 to propose to do, providing you agree to help me along,
17 is to just read into you this fact situation and then
18 pose a couple of questions to you afterwards.

19 Are you prepared to assist me with that,
20 Mr. Dudar?

21 MR. MICHAEL DUDAR: I am.

22 MR. BYRON WILLIAMS: Thank you. Just by
23 way of background, we've got two (2) Manitoba Hydro firms
24 who are competitors and both are served at the GSL 30 to
25 100 kV rates. Firm A has historical use of 75 gigawatt

1 hours per year, prior to March 31st, 2008. Its current
2 expected usage for April 1st, 2009, to March 31st, 2010,
3 is 80 gigawatt hours.

4 Firm B has historical use in excess of 100
5 gigawatt hours, and it's CBEL has been determined to be
6 105 gigawatt hours. Its current expected usage for April
7 1st, 2009, to March 31st, 2010, is 105 gigawatt hours.

8 Just by way of the circumstances, let's
9 assume both firms have been asked to bid on a Federal
10 Government contract. The product involved has high
11 electricity value added contents such that a significant
12 amount of electricity is required to produce the product,
13 and electricity will be a major cost factor in the bid
14 price.

15 If awarded the contract, energy use by
16 either firm would increase by 20 gigawatt hours for the
17 April 1st, 2009, to March 1st, 2010, period.

18 I'm going to ask you to assume that
19 application of Hydro's energy intensive rate means that
20 Firm A, if awarded the contract, will be able to purchase
21 electricity at the standard domestic GSL thirty to one
22 hundred (30:100) kV rate and will price its bid
23 accordingly, and also to assume that Firm B, if awarded
24 the contract, would have to purchase at least some of the
25 electricity needed to produce the required goods at

1 Manitoba's EIIR, even after the one (1) time 10 percent
2 allowed CBEL adjustment and will have to price its bid
3 accordingly.

4 In both cases, I'm going to suggest to you
5 the increased electricity use can be met with the
6 existing transmission facilities.

7 Are you able to follow me so far, Mr.
8 Dudar?

9 MR. MICHAEL DUDAR: I was.

10 MR. BYRON WILLIAMS: Just regard --
11 focussing now on that 20 gigawatt hours of additional
12 power required for -- for either company. Based on this
13 fact scenario and all other things being equal, would
14 Firm B be bringing any more costs to the system than Firm
15 A?

16 MR. MICHAEL DUDAR: I don't believe they
17 would.

18 MR. BYRON WILLIAMS: So again, with the
19 caveat that there's -- it's based upon existing
20 transmission facilities, there's no exist -- no
21 additional transmission facilities and no greater
22 opportunity costs. A kilowatt hour or a gigawatt hour in
23 this case is a gigawatt hour, regarding -- regardless of
24 whether -- which firm pays for it.

25 Would be that fair?

1 MR. MICHAEL DUDAR: That's correct.

2 MR. BYRON WILLIAMS: And again,
3 recognizing that we could pick a million scenarios, could
4 you understand how Firm B might claim that it is being
5 unfairly treated, as both firms have the same impact on
6 Manitoba Hydro's costs but because -- because of the
7 higher electricity rate Firm B must pay, relative to its
8 competitor, it may be challenged in terms of making a
9 competitive bid?

10 MR. MICHAEL DUDAR: I would agree that on
11 the surface, Firm B may believe that they have a
12 competitive disadvantage. We don't know how long it will
13 take to -- to produce the product and whether it will go
14 over one (1) or two (2) years.

15 But I'll -- I'll go back to my example of
16 -- of Vale Inco. And it depends on Firm B's approach and
17 whether they take a long-term or short-term view to this
18 challenge. If they took a long-term view and realizing
19 that they had a competitive disadvantage in one (1) of
20 the input factors for producing their product, they may
21 take this as an opportunity to improve the productivity
22 of their facility.

23 So they might look at energy efficiency
24 improvements to reduce their costs. They might look at
25 reducing waste. They might look at introducing

1 innovation into their facility to further reduce their
2 cost. And -- and yes, there is an initial cost to do
3 these things but like Vale Inco, in the long-term, they
4 may be better off and be able to survive a -- a turn down
5 in the economy.

6 MR. BYRON WILLIAMS: A very thoughtful
7 answer. Let me -- let me refine the hypothetical a
8 little tighter, and ask you to assume that these are
9 firms that are equally innovative, equally energy
10 efficient.

11 You know, that's how the market's supposed
12 to work, right? Is that right?

13 MR. MICHAEL DUDAR: That's correct.

14 MR. BYRON WILLIAMS: Isn't the fact that
15 one (1) firm is -- all other things being equal, one (1)
16 firm is at a competitive disadvantage because of a rate
17 charged by Manitoba Hydro, even though it's bringing no
18 more costs to Manitoba Hydro than another firm?

19 MR. MICHAEL DUDAR: They -- they may may
20 feel that they're being unfairly treated. In -- in
21 reality Firm B may have an advantage if Firm A truly
22 believes that they have a large competitive advantage
23 over Firm B, and may add additional profit margin to
24 their -- their quoted price, in -- believing that --
25 that Firm B -- or Firm -- yeah, Firm B won't cut their --

1 their margin to -- to win the tender.

2 MR. BYRON WILLIAMS: Okay, Mr. -- Mr.
3 Dudar, thank you for that. Mr. Peters had a discussion
4 with you about compounding. He admitted he wasn't very
5 good at compounding. But would I be right in suggesting
6 to you that over the -- if a firm is allowed to have --
7 let's say it's starting at a baseline of a hundred (100)
8 and it's allowed to grow at 3 percent each year for the
9 next five (5) years, five (5) years from now it will be
10 at a what, a hundred and fifteen point nine (115.9)?

11 Does that sound about right?

12 MR. MICHAEL DUDAR: That does.

13 MR. BYRON WILLIAMS: You sound surprised,
14 Mr. Dudar.

15 MR. MICHAEL DUDAR: I'm -- I'm just
16 surprised at how quick Robin is with the calculator.

17 MR. BYRON WILLIAMS: You probably don't
18 need to turn here, but in the Corporation's response to
19 MIPUG/Manitoba Hydro-1-4D, the question was posed:

20 "How many companies currently operating
21 in Manitoba are -- are expected to be
22 impacted by the 1,500 gigawatt hour cap
23 within the next five (5) years?"

24 And the Corporation's answer was "one
25 (1)".

1 Do you recall that answer? Or let me try
2 this again.

3 You'll agree that the Corporation's
4 position that in terms of the firm cap on the CBEL,
5 within the next five (5) years there will be one (1) firm
6 that is expected to be impacted by that cap, in -- in
7 terms of being disallowed for future growth at the
8 embedded or at the lower first block rate?

9 Is that fair?

10 MR. MICHAEL DUDAR: That's correct.

11 MR. BYRON WILLIAMS: Now this question
12 was framed within the next five (5) years. Is it -- is
13 it Manitoba Hydro's expectation that this particular firm
14 will bump -- be bumping up against the cap in terms of
15 first block growth earlier than five (5) years?

16 MR. MICHAEL DUDAR: Yes.

17 MR. BYRON WILLIAMS: Is it expected to
18 bump against the cap within the next three (3) years?

19 MR. MICHAEL DUDAR: Yes.

20 MR. BYRON WILLIAMS: The next two (2)
21 years?

22 MR. MICHAEL DUDAR: Yes.

23 MR. ROBERT MAYER: Couldn't we get this
24 with just one (1) question?

25

1 CONTINUED BY BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: Who knows. Is it
3 expected to bump up against the cap in the next year?

4 MR. MICHAEL DUDAR: It -- it's possible.
5 The -- the -- there are constraints with the transmission
6 facilities feeding that particular customer, and he has
7 outgrown the capacity of the line and that might be a
8 limiting factor on how much he can actually increase his
9 energy consumption.

10 MR. BYRON WILLIAMS: So we can say with
11 confidence that this firm will be -- it's likely that it
12 will be bumping up against the cap within two (2) years,
13 and it's possible that it may be bumping up at -- against
14 the cap within one (1) years.

15 Is that fair?

16 MR. MICHAEL DUDAR: That's fair.

17 MR. BYRON WILLIAMS: And that's why we
18 ask more than one (1) question.

19 Just in terms of the -- you'll recall from
20 your discussion with me yesterday, in terms of the -- the
21 potential for revisions to the CBEL, such as pre-approved
22 environmental projects?

23 Do you recall that, Mr. Dudar?

24 MR. MICHAEL DUDAR: Yes.

25 MR. BYRON WILLIAMS: And just because I

1 don't quite understand how this works, will this firm, as
2 well, will it be able to adjust its baseline to take into
3 account pre-approved environmental projects? Or is it
4 prohibited absolutely by the fifteen hundred (1,500) cap?

5 MR. MICHAEL DUDAR: The -- the fifteen
6 hundred (1,500) is a hard cap.

7 MR. BYRON WILLIAMS: And that would apply
8 as well to affiliates that it purchases?

9 MR. MICHAEL DUDAR: That's correct.

10 MR. BYRON WILLIAMS: And just so I
11 understand the whole picture of growth allowance, and --
12 and I am going to cross a little bit where Mr. Peters
13 went, but I'll be quick.

14 New firms entering the marketplace will
15 get up to 100 gigawatt hours at heritage rates in terms -
16 - as a -- as a baseline, correct?

17 MR. MICHAEL DUDAR: That's correct.

18 MR. BYRON WILLIAMS: And then they'll
19 enjoy the growth allowance that we've talked about
20 before, correct?

21 MR. MICHAEL DUDAR: That's correct.

22 MR. BYRON WILLIAMS: Let's turn to
23 existing firms for a second. Leaving aside this one,
24 this largest energy consuming company, if the
25 Corporation's application is granted as it's proposed -

1 leaving aside this one company - are there any other
2 existing firms which you would anticipate bumping into
3 the fifteen hundred (1,500) firm cap within the next five
4 (5) years?

5 MR. MICHAEL DUDAR: Not based on the
6 growth projections that I have received from customers.

7 MR. BYRON WILLIAMS: How about within the
8 next ten (10) years?

9 MR. MICHAEL DUDAR: Not based on the
10 growth projections that I have received from customers.

11 MR. BYRON WILLIAMS: So if we look at the
12 phil -- philosophy of the growth allowance, would it be
13 fair at a -- at a high level that the philosophy is to --
14 is two-fold; One (1) is to accommodate -- accommodate
15 reasonable economic growth while limiting unconstrained
16 growth, would that be a fair sense of it?

17 MR. MICHAEL DUDAR: That's correct. I --
18 I just wanted to -- to modify my -- my previous answer
19 somewhat; that some of the customers could -- depending
20 on the timing of some of their growth could exceed the --
21 the baseline for short periods of time.

22 And -- and so they -- they have some
23 options in terms of changing the timing or implementing
24 the energy efficiency improvements. And -- and so there
25 are a -- a couple customers depending on when they were

1 planning to implement some of their projects could --
2 could hit that -- that cap for a short period of time.

3 MR. BYRON WILLIAMS: And I thank you for
4 that clarification. But it would be fair to say that --
5 that while most companies face limits on unconstrained
6 growth, there's one (1) company that faces a firm cap on
7 pretty much any growth; would that be fair?

8 MR. MICHAEL DUDAR: That would be fair.

9 THE CHAIRPERSON: But that cap is only
10 with respect to the so-called heritage rates?

11 MR. MICHAEL DUDAR: That -- that's
12 correct. That -- that would cap their -- their ability
13 to grow -- heritage rates -- they -- they could -- they
14 could --

15 THE CHAIRPERSON: So it is not
16 necessarily a supply issue?

17 MR. MICHAEL DUDAR: No. Although, it --
18 it -- the -- the transmission capabilities will need to
19 be upgraded to serve additional load growth from that
20 customer.

21 THE CHAIRPERSON: And who would pay for
22 those transmission upgrades?

23 MR. MICHAEL DUDAR: The customer would
24 pay for that.

25

1 CONTINUED BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: Does that -- that
3 reality for that company as it -- as it bumps against the
4 -- the firm cap, does that represent a judgment by the --
5 the Corporation that -- essentially that -- let me try
6 this again.

7 Is there an effective judgment by the
8 Corporation in this case that -- that this company's
9 growth is -- is less valuable to the province than --
10 than the other firms, whether that's new or existing
11 firms that are not running -- running against a limit on
12 any meaningful growth?

13 MR. MICHAEL DUDAR: We -- we had got into
14 -- into that discussion in -- in the -- in the past
15 Hearing on whether it was jobs per gigawatt hour,
16 production of provincial GDP -- or contribution of
17 provincial GDP. When -- when we -- when we set the cap
18 slightly above his current maximum energy consumption,
19 there -- there were sort of two (2) reasons.

20 One (1) is the -- when -- when you use a
21 percentage of growth mechanism the -- the impact to other
22 ratepayers for -- for the largest customer growing was --
23 was significant.

24 And -- and the other one I touched on
25 yesterday was dealing with the issue -- the competitive

1 issue, not dissimilar to -- to the one you -- you used in
2 your example where you had a small company in the same
3 market growing at a different rate than -- than the large
4 company. And the issues associated with -- with that,
5 they can both grow.

6 The -- probably the -- the average unit
7 cost for the large company even paying the incremental
8 rate might even be lower than the -- than their
9 competitor. Just the economies of scale. But each
10 company will make decisions based on their level of risk
11 tolerance and -- and how their -- their corporation
12 allocates capital.

13 MR. BYRON WILLIAMS: Thank you for that.
14 My clients will ponder that answer.

15 Mr. Chairman, I've probably got about
16 forty-five (45) minutes to go roughly, maybe -- maybe a
17 bit more. I'm kind of hitting -- moving to a new area.
18 I don't know if this is a convenient time for a -- a
19 break and can be a shorter one if you -- if you'd like --

20 THE CHAIRPERSON: That's fine. We could
21 have the break now. We'll come back by 10:25.

22

23 --- Upon recessing at 10:09 a.m.

24 --- Upon resuming at 10:27 a.m.

25

1 THE CHAIRPERSON: Okay, welcome back --
2 welcome back, folks. Mr. Williams...?

3 MR. BYRON WILLIAMS: Thank you, Mr.
4 Chairman.

5
6 CONTINUED BY MR. BYRON WILLIAMS:

7 MR. BYRON WILLIAMS: Mr. Wiens, don't
8 feel like I'm singling you out so -- I'm assuming you're
9 the right person for these questions. But if not, jump
10 right in.

11 I want to talk with you about marginal
12 cost base rates for just a few minutes. And again, you
13 did have a brief discussion of this with Mr. Peters.
14 But, as I understand it, a major argument for marginal
15 cost base rates is that -- that customers are charged a -
16 - a price reflective of the costs that their usage
17 actually imposes on the system. For example, how much
18 costs will increase if they use electricity.

19 Is that your understanding, sir?

20 MR. ROBIN WIENS: Yes.

21 MR. BYRON WILLIAMS: And as I understand
22 it, this approach at least at the theoretical level has a
23 -- a number of advantages, one as an economist you'll
24 relate to.

25 From an economic perspective, it permits

1 customers to make efficient choices. Efficient in a
2 sense that leads to better use of society's resources
3 overall.

4 Would that be fair?

5 MR. ROBIN WIENS: Yes.

6 MR. BYRON WILLIAMS: Secondly, from the
7 Utility's perspectives, it will tend to limit the extent
8 to which one (1) customer's choices will impact the cost
9 that must be charged to other customers.

10 Would that be fair?

11 MR. ROBIN WIENS: Yes, I think that's
12 fair too.

13 MR. BYRON WILLIAMS: I wonder if you'll
14 agree with me that when we look to marginal costs one --
15 one reality that we all must be aware of is that they
16 tend to be more unstable from year to year than embedded
17 costs.

18 Would you agree with that, sir?

19 MR. ROBIN WIENS: They have the potential
20 to be more unstable from year to year than embedded
21 costs.

22 MR. BYRON WILLIAMS: And I'll fold that
23 up in a -- in a second. You said they have the potential
24 to be, would you agree with me that they -- they are
25 inherently more unstable?

1 (BRIEF PAUSE)

2

3 MR. ROBIN WIENS: I think if you're
4 talking about a large capital-intensive organization like a
5 utility, that may be a fair statement.

6 MR. BYRON WILLIAMS: And I appreciate
7 your candour. And just to pursue that for a -- for a
8 second, when we talk about imbedded costs in the context
9 of a large capital intensive utility, they include some
10 historical costs which don't fluctuate much over time.
11 For example, depreciation charges per station in
12 service?

13 MR. ROBIN WIENS: That's correct. I
14 think you may -- you know, you may get the -- the gist of
15 the distinction if you can think for a minute of the gas
16 utility where, for a large portion of the costs of a gas
17 utility, the marginal cost actually is the embedded costs
18 so that they tend to move in tandem.

19 MR. BYRON WILLIAMS: When we look at
20 Manitoba Hydro's marginal costs which I'm going to define
21 as your -- your opportunity costs, would it be fair --
22 fair to say they're based on export prices which are
23 influenced by a number of factors that can change from
24 year-to-year such as natural gas prices, exchange rates
25 and volumes due to waterflows?

1 Would that be fair?

2 MR. ROBIN WIENS: Well, to be technically
3 correct, Mr. Williams, they're based on -- they tend to
4 be affected mostly by export prices that can be received
5 in the export market but they are also influenced in some
6 situations by the cost of imports or the costs of thermal
7 fuel.

8 MR. BYRON WILLIAMS: And just because I
9 probably imprecisely asked that question, but, to the
10 extent that they're affected by export -- prices in the
11 export market, some of the factors that they'll be
12 influenced by are natural gas prices, exchange rates and
13 waterflows from year-to-year.

14 Correct?

15 MR. ROBIN WIENS: Yes, along with some
16 other factors as well but those are certainly significant
17 influences.

18 MR. BYRON WILLIAMS: And these factors,
19 the three (3) I identified, can change significantly on a
20 year-to-year basis?

21 MR. ROBIN WIENS: Yes.

22 MR. BYRON WILLIAMS: Would you agree with
23 me, Mr. Wiens, that if the overall revenue requirement is
24 set based on embedded or accounting costs and a -- and a
25 utility is charging at least some marginal costs, there

1 needs to be a way of reconciling the revenues paid in
2 under -- in based on marginal costs with the revenue
3 requirement so as to maintain overall revenue neutrality?

4 MR. ROBIN WIENS: If revenue neutrality
5 were an objective -- overall revenue neutrality were an
6 objective, typically, yes, you would have to make some
7 adjustments if you wanted to reflect at least some usage
8 at marginal cost.

9 MR. BYRON WILLIAMS: And that's because -
10 - or at least that the premise -- unstated premise of my
11 question is we're assuming that marginal costs are higher
12 than embedded costs?

13 MR. ROBIN WIENS: Well, you would need to
14 do so if they were lower as well.

15 MR. BYRON WILLIAMS: Accepting that there
16 -- there may need to be some reconciling, would you agree
17 with me that if only some rates are based on marginal
18 costs, for example, the end rate for an inclining rate
19 structure, then it's relatively easy to set the remaining
20 rates so as to maintain revenue neutrality?

21 MR. ROBIN WIENS: Well, there's certainly
22 ways you can do that -- they're -- that are available to
23 you. Well -- and typically, they -- they would be
24 relatively easy. That would not necessarily be the case
25 all the time.

1 MR. BYRON WILLIAMS: Well, I'm going to
2 suggest to you that the -- if there's -- if substantial
3 amounts of usage are subject to marginal costs, marginal
4 costs base rates, I'm going to suggest to you then
5 maintaining revenue neutrality tends to become more
6 difficult?

7 MR. ROBIN WIENS: That's a fair
8 statement.

9 MR. BYRON WILLIAMS: And just to go one
10 step further along that continuum, if all rates were
11 based on marginal costs, revenue neutrality would become
12 next to impossible unless we were given out refunds at
13 the same time.

14 Would that be fair?

15 MR. ROBIN WIENS: Yes, that -- that would
16 be fair if you -- if all rates were based on marginal
17 costs, you -- in today's environment where marginal costs
18 exceed average costs, you would be looking at some
19 mechanism of dealing with the higher revenues. Refunds
20 is one possibility.

21 MR. BYRON WILLIAMS: And my clients don't
22 like to think of the -- the other ones, but others might.

23 Just going back to my -- my second-last
24 premise, the idea that if substantial amounts of usage
25 are subject to marginal costs, then maintaining revenue

1 neutrality becomes more difficult.

2 And I'm going to just follow that up with
3 you for just a second, Mr. Wiens. One of the challenges
4 I would suggest to you is that if your -- more and more
5 of your second block is set at -- more and more usage is
6 set at a second block marginal cost, and you're trying to
7 maintain revenue neutrality, then the first block tend --
8 tends to be -- you -- you can't set rates as high in that
9 first block.

10 Would you agree with that inelegant
11 question, Mr. Wiens?

12 MR. ROBIN WIENS: Yes.

13 MR. BYRON WILLIAMS: And so you end up
14 with a greater disparity between the first block and
15 let's -- in a two (2) block situation, and the second
16 block the greater the amount of usage in the second block
17 that is set at marginal rates, assuming revenue
18 neutrality is an objective?

19 MR. ROBIN WIENS: Yes.

20 MR. BYRON WILLIAMS: Mr. Wiens, just a
21 couple questions again for Mr. Harper's benefit. In
22 terms of the -- the proxy that you have used for marginal
23 costs, and my understanding is that the proxy to be used
24 for marginal costs under the Hydro application is the
25 average price of extra-provincial sales during the

1 previous two (2) fiscal years for which there is complete
2 data available.

3 Would that be fair?

4 MR. ROBIN WIENS: In this case the -- the
5 average price of firm or sales made out of dependable
6 energy for the previous two (2) fiscal years.

7 MR. BYRON WILLIAMS: And just a question
8 in...Hydro, for example, would also have data for the --
9 the MISO day-ahead market for the -- the last three (3)
10 years; would that be fair?

11 MR. ROBIN WIENS: I believe that's
12 correct, yes.

13 MR. BYRON WILLIAMS: It's set out in an
14 Information response. You don't need to turn it. But
15 why, for example, use -- why not use the MISO day-ahead
16 prices as the proxy for -- for marginal costs?

17 I see you looking towards this end of the
18 table, Mr. Wiens.

19 MR. DAVID CORMIE: The MISO market prices
20 are -- are exactly that. They don't reflect Manitoba
21 Hydro's -- always reflect Manitoba Hydro's marginal cost
22 of production.

23 MR. BYRON WILLIAMS: Just to go one (1)
24 step further, is it your view that going back in
25 history...oh, okay, I understand your point.

1 Mr. Wiens, how about the surplus energy
2 program or the -- the set prices, why not use those as a
3 proxy?

4 MR. ROBIN WIENS: Those are typically
5 based on relatively small quantities of sales of
6 opportunity energy. So they -- I don't think in terms of
7 looking out for, in -- in long-term or reflecting firm
8 usage, that they would necessarily be appropriate.

9 But, you know, more generally, both of the
10 -- both of the proxies you cite do provide useful
11 indicators of marginal costs but it's not necessarily the
12 concept of marginal costs that you would associate with a
13 long-term fixed sale.

14 MR. BYRON WILLIAMS: Thank you for that.
15 I'm -- I'm going to turn to -- to the issue of the
16 factors that -- that have led Manitoba Hydro to propose
17 this rate. You'll probably want to have nearby Coalition
18 Exhibits 3 and 4, and also the rebuttal evidence of
19 Manitoba Hydro, in particular, attachments 1, 2 and 3.

20

21 (BRIEF PAUSE)

22

23 MS. PATTI RAMAGE: Mr. Williams, on -- or
24 -- on day 1 of the Hearing we anticipated somebody might
25 ask a question on these documents. So we had prepared

1 ledger-size copies of them so people could have a little
2 easier time seeing those numbers.

3 Mr. Chair, might it be an appropriate time
4 to distribute those? And Mr. Williams, can maybe let us
5 know if he's going into these documents.

6 MR. BYRON WILLIAMS: I did struggle
7 reading them, so I certainly -- that's fine by me. I
8 don't know if any -- I -- I don't -- I certainly have no
9 problem with that.

10 MS. PATTI RAMAGE: I don't think there's
11 any reason -- need to mark them. It was just a little
12 easier on the eyes.

13 THE CHAIRPERSON: Thank you.

14

15 (BRIEF PAUSE)

16

17 CONTINUED BY MR. BYRON WILLIAMS:

18 MR. BYRON WILLIAMS: Being somewhat
19 intimidated by the pure size of these documents, I'm --
20 I'm going to come to them in -- in just a minute.

21 Perhaps we can turn our attention, first
22 of all, to Coalition Exhibit Number 4, which is an -- and
23 I'm not sure, does this go to you as well, Mr. Wiens,
24 which is a table drawn from the May 2008 load forecast?

25 MR. ROBIN WIENS: Yes. Yeah, I have that.

1

2 MR. BYRON WILLIAMS: And, Mr. Wiens,
3 you're prepared to accept and -- and you've had an
4 opportunity to at least review this, that this is drawn
5 from the May -- May 2008 load forecast with -- with the
6 sources put at the bottom of this table, is that correct,
7 sir? You'll accept that?

8 MR. ROBIN WIENS: I -- I haven't checked
9 the individual page references, but this document
10 certainly looks like it was drawn from 2008 load
11 forecast.

12 MR. BYRON WILLIAMS: And what it
13 essentially does is look at the usage by three (3)
14 described as classes: One (1) being residential, one (1)
15 being non-top general service, another being top general
16 service, and -- and a fourth being lighting for -- for
17 certain periods of time.

18 Is that correct, sir?

19 MR. ROBIN WIENS: It is.

20 MR. BYRON WILLIAMS: And I just -- just
21 before we go into it you'll see a foot -- a footnote
22 there that the top GS category represents Manitoba
23 Hydro's top consumer category as discussed on pages 18
24 and 19 of the -- of the load forecast.

25 Do you see that, sir?

1 MR. ROBIN WIENS: Yes.

2 MR. BYRON WILLIAMS: And before I go into
3 the table, perhaps I could get your assistance in -- in
4 helping me to explain what the top consumer category
5 means.

6 And as I understand it and -- it includes
7 the top energy consuming businesses in Manitoba and
8 generally represents about 43 percent of all electricity
9 consumed in the general service sector.

10 Would you accept that subject to check?

11 MR. ROBIN WIENS: Yes.

12 MR. BYRON WILLIAMS: And, Mr. Wiens, if I
13 might, and I'm going to suggest to you and you can
14 certainly go to your own appendices if you wish, but if
15 you'll accept, subject to check, that this top consumer
16 class or group was identified in your 2007/08, that's not
17 the most recent one, the second most recent load
18 forecast, as including CV -- or excuse me, CRVD Inco,
19 HBMNS Flin Flon, Gerdau Amsted G-E-R-D-A-U, Canexus,
20 Koch, K-O-C-H, TransCanada Power, Enbridge, Tembec,
21 Tolko, Louisiana Pacific, the University of Manitoba,
22 Maple Leaf, McCain, Portage McCain Carberry (phonetic),
23 ERCO Worldwide, Simplot Potato, Husky Oil, and Winnipeg
24 Water and Waste Treatment plants.

25 Does that sound about right?

1 MR. ROBIN WIENS: Yeah, I'm not looking
2 at the 2007 load forecast, but that -- that sounds
3 reasonable.

4 MR. BYRON WILLIAMS: And just -- just on
5 that point and if you'll accept that subject to check, I
6 note that in the 2007/'08, there were two (2) what I
7 would describe as government institutions in there, one
8 being the University of Manitoba, the second being
9 Winnipeg Water and Waste Treatment Plants.

10 Does that sound about right, sir?

11 MR. ROBIN WIENS: Yes.

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: And it sounds like
16 you have the most recent load forecast in front of you,
17 Mr. Wiens?

18 MR. ROBIN WIENS: I do.

19 MR. BYRON WILLIAMS: And just a small
20 point but -- but I note in the most recent electric load
21 forecast from May 2008, the University of Manitoba is
22 still in there but Winnipeg Waste and Water is not.

23 Does that look like that's correct to you
24 as well, sir?

25 MR. ROBIN WIENS: Yes.

1 MR. BYRON WILLIAMS: Do you know why?

2 MR. ROBIN WIENS: I'd have to -- I'd have
3 to -- I'd have to check on that but I believe that there
4 was mention at one point of an expansion and then that
5 expansion was either scaled back or has not happened.
6 So, they were dropped from the list but that's definitely
7 subject to check.

8 MR. BYRON WILLIAMS: If you'll get back
9 to me if there's any other change rather than -- rather
10 than that, Mr. Wiens.

11 Let's turn to the table itself and just in
12 describing it, you'll agree with me that it provides for
13 the -- the classes identified here, actual usage in the
14 '97/'98 year, the 2002/'03 year, and the 2007/'08 year,
15 as well as forecasts for the 2012/2013 and 2017/2018
16 year.

17 Would that be fair?

18 MR. ROBIN WIENS: Yes.

19 MR. BYRON WILLIAMS: And what it attempts
20 to do in the last three (3) columns on the right-hand
21 side is look at the -- the historic increase for these
22 defined classes for the purposes of this table. First of
23 all, in the ten-year period from 1998 to 2008; secondly,
24 for the five-year period from 2003 through 2008; and
25 then, third, for the forecast period from 2008 to 2018.

1 Would that be fair?

2 MR. ROBIN WIENS: Yes.

3 MR. BYRON WILLIAMS: And just perhaps if
4 we can look at the history over the last ten (10) years.

5 First of all, sir, you'll agree with me
6 that according to this table, the total increase in -- as
7 measured in gigawatt hours between 1998 and 2008 for --
8 for Hydro as a whole was around 26 percent.

9 Would that be right, sir?

10 MR. ROBIN WIENS: Yes, that's -- that is
11 -- that is correct. So looking at -- at these figures,
12 as long as you're just measuring...

13 Well, let me state it right out. These
14 are actuals. What we do when we're forecasting is we
15 like to go back and look at those actuals and load
16 forecasting does what's called weather normalization and
17 if you were to normalize that, it would be more in the
18 order of 24 percent, not that maybe much hinges on it but
19 that's -- that's -- that's what weather normalization
20 does.

21 MR. BYRON WILLIAMS: And I'll actually
22 get to weather normalization in a -- in a second, Mr.
23 Wiens, which I think is represented in your Attachment 1
24 to your rebuttal evidence.

25 Would that be fair, sir?

1 MR. ROBIN WIENS: Yes.

2 MR. BYRON WILLIAMS: Weather
3 normalization certainly may change some of the data and -
4 - by some percentage points but it -- it would not change
5 the -- the overall trend as represented in this table,
6 sir.

7 MR. WIENS: No, it simply recognizes that
8 changes on a year-to-year basis can be due to -- simply
9 due to weather and what its effect on heating load.

10 MR. BYRON WILLIAMS: And if we get to the
11 1998 through 2008, just the increase again, recognizing
12 that this is not normalized for weather, the total for
13 the -- for the -- displayed by this table is around 26
14 percent.

15 Would that be correct, sir?

16 MR. WIENS: Yes.

17 MR. BYRON WILLIAMS: And if we look at
18 how residential -- that group of consumers has changed
19 and increased in consumption as compared to the -- to the
20 total consumption load served by Manitoba Hydro in
21 Manitoba. You see that residential is pretty close to
22 that average, just a touch below at about 25 percent.

23 Would that be fair?

24 MR. ROBIN WIENS: Yes. Although in the -
25 - if you look at weather normalized information, weather

1 normalization on a proportionate basis affects the
2 residential load more than any other customer group, and
3 if you weather normalize that information, you're looking
4 at about a 20.6 percent increase rather than 24.9.

5 MR. BYRON WILLIAMS: So, if anything,
6 this table is harsh to my -- my clients the -- the
7 residential in terms of increase usage?

8 MR. ROBIN WIENS: I'm not -- I'm not
9 going to apply an adjective to it, Mr. Williams. It is
10 what it is.

11 MR. BYRON WILLIAMS: And I thank you for
12 that, Mr. Wiens.

13 Just again, and again we'll get to the
14 weather-normalized material in a minute, when we look at
15 the top consumers, they've grown over the last ten (10)
16 years at a pace somewhat above the -- the corporate --
17 corporate average, being at about 35 percent.

18 Would that be fair, sir?

19 MR. ROBIN WIENS: Yes.

20 MR. BYRON WILLIAMS: Now, if we look to
21 just the last five (5) years, being the years 2003 to
22 2008, which is the second last column on the right,
23 again, the industry total is 9.4 per -- or around
24 9 percent, correct?

25 MR. ROBIN WIENS: Yes.

1 MR. BYRON WILLIAMS: Recognizing the
2 limits of weather normalization or not presented here,
3 residential has been below the percentage increase over
4 the last five (5) years at about 7.5 percent, sir?

5 MR. ROBIN WIENS: Yes, but that changes
6 when you normalize for weather.

7 MR. BYRON WILLIAMS: And the top
8 consumers have been somewhat, perhaps, significantly
9 above the corporate average?

10 MR. ROBIN WIENS: Yes, they're about
11 50 percent higher than the corporate average.

12 MR. BYRON WILLIAMS: And you certainly
13 consider that significant?

14 MR. ROBIN WIENS: I would, yes.

15 MR. BYRON WILLIAMS: Going forward, this
16 most recent forecast, you're looking at growth over the
17 next ten (10) years being close to 19 percent.

18 Is that right, sir?

19 MR. ROBIN WIENS: Yes, that's right.

20 MR. BYRON WILLIAMS: And what this table
21 portrays is residential growing significantly lower than
22 the -- the total being at just a bit above 10 percent,
23 correct?

24 MR. ROBIN WIENS: Again, that's prior to
25 weather normalization which will also change it.

1 MR. BYRON WILLIAMS: And then you have
2 the -- the top consumers, looking over the next ten (10)
3 years at being substantially above the total at around
4 34 percent; correct?

5 MR. ROBIN WIENS: That's correct.

6 MR. BYRON WILLIAMS: That's the next ten
7 (10) years. And I wonder if you'd agree with me, Mr.
8 Wiens, and there's a source for this which you don't --
9 probably don't need to turn there but it's MIPUG/Manitoba
10 Hydro-1-3.

11 I wonder if you'd agree with me that if we
12 look at the results of the -- the most recent load --
13 load forecast for the next five (5) years, they suggest
14 that these top consumers will be accounting for about
15 68 percent of total system load growth within the next
16 five (5) years.

17 Would you accept that, sir?

18 MR. ROBIN WIENS: That would be a subject
19 to check but I'll accept it, subject to check.

20 MR. BYRON WILLIAMS: And of course, that
21 point lies at the -- at the heart of the Corporation's
22 application, or it's one (1) of the core points in the
23 sense that when you look in the near future, it's the
24 Corporation's view, you'll agree with me, that a
25 disproportionate amount of growth is being driven by

1 these top consumers.

2 Fair enough?

3 MR. ROBIN WIENS: Yes, that's -- that's a
4 fair characterization.

5 MR. BYRON WILLIAMS: Mr. Wiens, you've
6 been anxious to send me to weather normalization, which
7 I'm going to suggest to you is represented in your
8 rebuttal evidence at Attachment 1; is that right, sir?

9 MR. ROBIN WIENS: Yes. We -- we do
10 weather normalize the residential loads.

11 MR. BYRON WILLIAMS: And go -- drawing
12 your attention to the -- the third column in this table,
13 am I correct in suggesting -- which has increased from
14 previous percentage, am I correct in suggesting to you
15 that between 1998 and the 1998/'99 year and the 2007/'08
16 year, this table suggests that when you're allowing for
17 weather normalization the forecast load growth by
18 residential was 18.7 percent over that time, sir? Is
19 that right?

20 MR. ROBIN WIENS: Yes.

21 MR. BYRON WILLIAMS: And an annual
22 increase of about 2 percent? Would that be fair?

23 MR. ROBIN WIENS: Yeah, compound annual
24 increase of 1.9 percent.

25 MR. BYRON WILLIAMS: When we draw your

1 attention to that same period of time being 1998/'99
2 through 2007/'08 for the General Service Large as a whole
3 greater than 30 kV, you see a 43.7 percent increase over
4 that period of time.

5 Is that correct, sir?

6 MR. ROBIN WIENS: Yes.

7 MR. BYRON WILLIAMS: And that's a
8 compound increase of 4.1, sir?

9 MR. ROBIN WIENS: That's correct.

10 MR. BYRON WILLIAMS: And your focus in
11 terms of the Energy Intensive only component of General
12 Service Large suggests a growth over -- from the period
13 of 1998 to '99 through 2007/'08 of -- in the range of 100
14 percent in that period, sir?

15 MR. ROBIN WIENS: That's correct.

16 MR. BYRON WILLIAMS: And going forward
17 through to 217-218, if I understand this table correctly,
18 you're looking at an additional 56.3 percent.

19 Is that correct?

20 MR. ROBIN WIENS: Yes.

21 MR. BYRON WILLIAMS: Thank you.

22 MR. ROBERT MAYER: Mr. Wiens, I -- I'm
23 having a little trouble here.

24 If your concern is the growth and the
25 growth is being projected as indicated in your answer to

1 Mr. Williams' questions and Mr. Dudar is telling us that
2 in the next five (5) years we're not bringing anybody
3 else into this -- into this new scheme if it is approved
4 as proposed, I don't understand how you're preventing the
5 problem that you tell us is the problem.

6 I mean, you're catching one (1) customer,
7 you may catch another one and you're talking about 100
8 percent load growth and that's a problem, how are we
9 solving it by the proposal you have before us?

10 Especially when you take into account the
11 -- the growth allowances that -- that are contained in
12 it.

13 MR. ROBIN WIENS: Mr. -- Mr. Mayer, the -
14 - the loads that are going to be captured, if this rate
15 is approved, pretty well almost all fall into this last
16 category of customer.

17 And this is where the load growth -- the
18 anticipated load growth going forward is. There may be
19 some, not much, in the General Service Large over 30 kV
20 group as a whole. But virtually all of this is happening
21 where the load growth is -- has recently been and is
22 expected to be most rapid.

23 MR. ROBERT MAYER: But I thought I heard
24 Mr. Dudar say you're not bringing anybody else into the
25 second -- into the second tier for a significant period

1 of time.

2 MR. MICHAEL DUDAR: Mr. Mayer, I said
3 there was not another customer that would hit the 1,500
4 gigawatt hour cap in five (5) years, yes.

5 There -- there will be other customers --
6 there will be customers that are in the second tier but
7 none that will bump up against that 1,500 gigawatt hour
8 cap.

9 MR. ROBERT MAYER: And I thought when I
10 was listening to you again, I thought I heard you say
11 they might be in and out as opposed to being stuck in.

12 MR. MICHAEL DUDAR: Those -- those are --
13 other than the three (3) customers that we are certain
14 will be in the second tier, there are other customers
15 that could be in the second tier depending on the timing
16 of their -- their expansions and growth and -- and may
17 need to do -- implement energy efficiency to -- if their
18 growth plan's under their baselines.

19 MR. ROBERT MAYER: So the three (3)
20 customers that you're pretty sure are going to be where
21 they are, how much of that 100 percent growth do they
22 account for?

23 MR. MICHAEL DUDAR: Pretty much all of
24 it.

25 MR. ROBERT MAYER: Thank you.

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(BRIEF PAUSE)

CONTINUED BY MR. BYRON WILLIAMS:

MR. BYRON WILLIAMS: Just turning to Coalition Exhibit Number 3 for a second. And, Mr. Wiens, this is a response of Manitoba Hydro to an Information Request in the most recent General Rate Application, is that right, sir?

MR. ROBIN WIENS: Yeah, I think I recognize it as such.

MR. BYRON WILLIAMS: And I want to skip the very -- the first part of that because I think that that answer was subsequently revised.

But what you do in this -- in this table at the bottom -- or in this response at the bottom of page -- of this page you set out the current rate of General Service Large greater than 30 kV, prior to the most recent general rate application.

And it suggests it's about three point two (3.2) cents per kilowatt hour, sir?

MR. ROBIN WIENS: Yes.

MR. BYRON WILLIAMS: Flipping to the second page, and again, realizing that this was from the spring of -- of this year, you look at -- you -- you look

1 at the marginal costs base rates as estimated here for
2 generation transmission expansion and distribution
3 expansion.

4 And suggesting that -- that that cost is
5 six point eight (6.8) cents per kilowatt hour, sir?

6 MR. ROBIN WIENS: Yes.

7 MR. BYRON WILLIAMS: And it would be fair
8 to say that when you look at the -- the difference
9 between current rates and marginal cost base rates that
10 probably this class has the -- being General Service
11 Large greater than 30 kV, probably has the -- the largest
12 relative disparity?

13 MR. ROBIN WIENS: Yes.

14 MR. BYRON WILLIAMS: At the bottom of
15 this response on page 2 is a heading, Own Price
16 Elasticity of Demand.

17 I'm going to suggest to you that this --
18 this suggests the -- the relative responsiveness of
19 different classes of consumer estimated -- as estimated
20 by Hydro in terms of how they respond to price changes in
21 terms of how that might affect consumption; is that it --
22 correct --

23 MR. ROBIN WIENS: Yes. And these -- and
24 these figures are drawn from a report that was filed with
25 this Board a few years back. It was a report that

1 Manitoba Hydro commissioned Natural Economic Research
2 Associates or NERA. I believe it was filed in August of
3 2005 or thereabouts.

4 MR. BYRON WILLIAMS: And what it
5 suggests, of course, is that in terms of being responsive
6 to price signals this group is -- being General Service
7 Large greater than 30 kV, is the most price responsive of
8 the -- of the four (4) classes identified in this -- in
9 this response, correct?

10 MR. ROBIN WIENS: Yeah, that's what it
11 says, and -- and I would add I -- I do believe that these
12 are all set up to be shor -- short-run responses to
13 prices. Typically, longer run responses are going to be
14 somewhat larger than this.

15 MR. BYRON WILLIAMS: And without --
16 without belabouring the point, put together in terms of
17 the Corporation's concerns, your -- your position is that
18 this class of customers are the most price responsive.
19 They're the ones with the greatest disparity between
20 marginal costs and rates.

21 And they're also the ones that are
22 experiencing the highest growth both historical and in
23 the short-term forecast?

24 MR. ROBIN WIENS: Yes.

25 MR. BYRON WILLIAMS: I want to turn just

1 for a couple minutes to attachments 2 and attachments 3.
2 And unfortunately I've marked up my small print copy, so
3 I'm going to have to take off my glasses for this
4 exercise.

5 So if I look to Attachment 2, am I right
6 in suggesting what you've attempted to do here is depict
7 the impacts on revenue and long-run marginal cost of an
8 energy increase of 720 gigawatt hours on each domestic
9 customer class, with all other classes being held
10 constant?

11 MR. ROBIN WIENS: Yes.

12 MR. BYRON WILLIAMS: So if I -- and I'm
13 assuming the bottom line is -- is on the -- the -- right
14 towards the bottom, and the results are on the -- the
15 bottom series of lines, starting with residential.

16 The marginal revenue based on current
17 rates that you would expect to get from a -- an expansion
18 of this considerable magnitude would be \$47.4 million,
19 sir?

20 MR. ROBIN WIENS: Yes.

21 MR. BYRON WILLIAMS: And the additional
22 cost, you would expect, from something like this, would
23 be in the range of fifty-nine (59) -- that's -- yeah,
24 would be in the range of \$59 million, sir?

25 MR. ROBIN WIENS: Yes.

1 MR. BYRON WILLIAMS: And so if you just
2 look at the ratio between bulk power marginal costs less
3 marginal revenue for residential, you're suggesting that
4 it's in the range of 11.8 million/

5 Is that right, sir?

6 MR. ROBIN WIENS: Yes.

7 MR. BYRON WILLIAMS: And when you perform
8 the similar exercise for General Service greater than 100
9 kV, let's start with the bulk power marginal cost; if you
10 compare that to residential it's somewhat lower,
11 presumably because of energy losses being 49.684 million,
12 sir?

13 MR. ROBIN WIENS: Well, it relates to a
14 number of factors, energy losses as being one (1) of
15 them. There are no distribution losses associated with
16 the General Service Large. Plus there is a different --
17 there is a different time distribution of energy usage,
18 and the residential time distribution of usage tends to
19 be a little higher.

20 MR. BYRON WILLIAMS: Thank you for that.
21 Although when we look at the two (2) figures, they're --
22 they're certainly not exact but they're fairly close.
23 The residential are certainly higher of the magnitude of,
24 I don't know, about 20 percent higher.

25 Would that be fair? In terms of --

1 MR. ROBIN WIENS: Yes. Yes.

2 MR. BYRON WILLIAMS: Yeah. In terms of
3 when we look at marginal revenue for General Service
4 Large greater than 100 kV, that's in the range of
5 22.7 million.

6 Would that be right, sir?

7 MR. ROBIN WIENS: Yes.

8 MR. BYRON WILLIAMS: Less than half of
9 what one would expect from the -- the residential class.
10 Would that be fair?

11 MR. ROBIN WIENS: Yeah, it's simply a
12 function of the relative rates.

13 MR. BYRON WILLIAMS: Okay. Now, when one
14 looks at total marginal costs as estimated here, you --
15 you certainly see -- I'll just go to the bottom line,
16 which is the gap total marginal cost to marginal revenue,
17 when you add in distribution and customer service you see
18 residential at 29 point, let's say, 8 million, versus
19 large industrials at about twenty-seven point two (27.2).

20 Would that be right, sir? That's the
21 second last column.

22 MR. ROBIN WIENS: Yeah, that -- that is
23 the gap between the revenue and the costs and in all
24 cases the costs exceed the revenue.

25 MR. BYRON WILLIAMS: When you look at

1 those residential numbers, Mr. Wiens, just out of
2 fairness to -- to my clients, you're working, when you do
3 this -- this calculation, you're working on the
4 assumption that operating costs of transmission
5 distribution and customer service would increase
6 proportionally with the increase in customer energy
7 usage.

8 And you'll agree with that that assumption
9 may overstate the marginal costs of those functions?

10 MR. ROBIN WIENS: Yes. You would think
11 that those costs, which as -- as depicted in the -- in
12 the top series of numbers, are out of the Cost of Service
13 Study. They're that year's costs for those functions.
14 And you would expect that there would probably be a less
15 than proportionate increase in those costs.

16 Those are current costs. So it's not like
17 you've got a -- yes, they're embedding in the sense that
18 they're embedding in this study for that year, but
19 they're -- they're the costs of that year. There's not a
20 lot of -- of embedded capital that's vintaged from twenty
21 (20) years before.

22 So you would expect that there -- there
23 should be some economies relative to those costs. I -- I
24 don't know what that number is though.

25 MR. BYRON WILLIAMS: And if your

1 assumption is correct that that gap for residential would
2 be somewhat closer -- somewhat smaller?

3 MR. ROBIN WIENS: Yes.

4 MR. BYRON WILLIAMS: What you're looking
5 at essentially though, in terms of -- you'll agree with
6 me, in terms of this table is a major disparity when
7 we're looking between residential and large industrials -
8 - when we're looking at just bulk power, a relatively
9 close relationship when you're looking at -- at total
10 marginal costs, as estimated here.

11 MR. ROBIN WIENS: Yeah. And I assume
12 you're continuing to refer to the excess of cost over
13 revenue.

14 MR. BYRON WILLIAMS: That's right, sir.
15 There's one (1) point that you made in your rebuttal
16 evidence, which I struggled with a bit just to
17 understand.

18 You know what, Mr. Wiens, I'll move onto
19 Attachment 3 and then I perhaps will come back to that
20 point.

21 Does Attachment 3 look only at the impact
22 -- is -- I understand Attachment 3, it looks at the reve
23 -- relative impacts of only the loss in export revenues;
24 short-run marginal cost is considered to be an
25 incremental cost.

1 Is that fair, sir?

2 MR. ROBIN WIENS: That's correct.

3 MR. BYRON WILLIAMS: And just going again
4 to the bottom line, when we look at marginal revenue,
5 comparing Residentials versus General Service Large, you
6 see that those figures are -- are unchanged. Again,
7 assuming a -- 720 gigawatt hours of energy -- or 700 --
8 you'll see that Residential's 47.4 million, in terms of
9 marginal revenue, where as General Service Large greater
10 than 100 kV, is 22.7 million approximately.

11 Fair enough, sir?

12 MR. ROBIN WIENS: Yes.

13 MR. BYRON WILLIAMS: But when you're just
14 looking at opportunity cost, the reality is that -- as
15 measured by export revenues, that on average residential
16 customers earn -- a kilowatt hour sold to residential
17 customers on average tends to be higher than average
18 export revenues.

19 Is that right, sir?

20 MR. ROBIN WIENS: Yes, that's right.

21 MR. BYRON WILLIAMS: So if I go -- go
22 over to the Column 5 in -- bulk power marginal cost less
23 marginal revenue, selling in the short term those
24 additional kilowatt hours to residential customers
25 actually provides a -- a net system benefit to the -- the

1 Corporation, in the short term, of about \$4.6 million, is
2 that right, sir?

3 MR. ROBIN WIENS: Yeah. That -- that's
4 right and that's -- that's assuming that the -- the short
5 run marginal cost to generation or the value of the sale
6 is around five (5) cents a kilowatt hour.

7 MR. BYRON WILLIAMS: By contrast, selling
8 those same seven hundred and twenty (720) to the General
9 Service Large over 100 kV, results in a system loss of
10 what, 15.8 to 15.9 million, based upon this -- this
11 example, sir?

12 MR. ROBIN WIENS: Yes.

13 MR. BYRON WILLIAMS: And ultimately
14 that's the -- the brass tacks of the -- of your concern,
15 when you look at both projected load increases and the
16 short run costs, that's at the hearty of -- of what the
17 Utility is attempting to do and -- with this energy
18 intensive rate, sir?

19 This is the issue you're attempting to
20 address?

21 MR. ROBIN WIENS: That -- that's correct.
22 We're trying to address both the gap and the fact that in
23 -- in the case here we -- we assumed an identical
24 increase in -- for the purposes of this depiction we
25 assumed an identical increase in -- in loads. But the

1 fact is that one (1) is growing faster than the other two
2 (2).

3 MR. BYRON WILLIAMS: Mr. Chairman, I
4 probably would appreciate about three (3) minutes to
5 check my notes.

6 THE CHAIRPERSON: That's fine.

7

8 (BRIEF PAUSE)

9

10 CONTINUED BY MR. BYRON WILLIAMS:

11 MR. BYRON WILLIAMS: Just a couple final
12 questions to Mr. Warden. Assuming that a -- the primary
13 purpose of -- and you've -- you've agreed this with --
14 with Mr. Peters before, that the primary purpose is to
15 limit reductions in revenue caused by displacement of
16 exports -- exports to serve large new price sensitive
17 loads and thereby to limit or reduce rate increases to
18 the entire domestic customer base.

19 You've agreed that that's a primary
20 purpose of this Application, sir?

21 MR. VINCE WARDEN: Yes, I did.

22 MR. BYRON WILLIAMS: I wonder if you'd
23 agree with me -- well, let -- let's assume the Board
24 grants Manitoba Hydro this Application, you're going to
25 have some additional revenue in the coffers if everything

1 works out as projected, let's say about 10.5 million in
2 2009/10, sir?

3 MR. VINCE WARDEN: Well, no, overall it's
4 intended to be revenue neutral, so there wouldn't be
5 additional revenue in the coffer, so to speak.

6 MR. BYRON WILLIAMS: Let me try that
7 again. You've limited revenue losses, so you're not --
8 so that you -- you protected the revenue base, that
9 which is the objective of -- of this Application.

10 MR. VINCE WARDEN: Yes.

11 MR. BYRON WILLIAMS: You'll agree with
12 me, though, it does not necessarily follow, that
13 projecting -- protecting the revenue base limits or
14 reduces rate increases?

15 MR. VINCE WARDEN: No. I would agree
16 with you, yes.

17 MR. BYRON WILLIAMS: If the Corporation
18 protects its revenue base, but it increases its -- its
19 expenditures there'll be more pressure on the -- on the
20 rate base; all other things being equal?

21 MR. VINCE WARDEN: Yes, that's true.
22 Revenue -- or expenditures increase for a number of
23 reasons, but they will increase, yes.

24 MR. BYRON WILLIAMS: So when consumers
25 look at this application they can see it as a --

1 residential consumers, they can see it as a mechanism to
2 protect the -- the revenues on each side of the equation.
3 This Application, in and of itself, does nothing
4 significant from the -- the cost side.

5 Would you agree with that?

6 MR. VINCE WARDEN: Yes, I would agree
7 with that.

8 MR. BYRON WILLIAMS: Mr. Chairman, I have
9 no further questions.

10 THE CHAIRPERSON: Thank you, Mr.
11 Williams. Mr. Landry, are you ready to begin before we
12 have our lunch break?

13 MR. JOHN LANDRY: I am, sir.

14 THE CHAIRPERSON: Very good. Please
15 proceed at your leisure.

16 MR. JOHN LANDRY: So that everyone can
17 have before them the documents that I will be referring
18 to, Mr. Chairman, I will be referring to Mr. Peter's book
19 of documents that we used yesterday. I also have a book
20 of documents that I'll ask my colleague to provide to the
21 Board, that can be handed out.

22 While she's doing that, the other document
23 that I intend to refer to is the graft -- or graphs that
24 were prepared by Mr. Cormie yesterday. I heard that it
25 was Manitoba Hydro Exhibit Number 7, but I had a

1 duplicate 7 so I just want to make sure for the record it
2 is the right exhibit number.

3 Is that Ms. -- Ms. Ramage, is that
4 correct?

5 MS. PATTI RAMAGE: Yes, that was number
6 7.

7 MR. JOHN LANDRY: Okay. So Manitoba
8 Hydro Number 7. So if everybody could get those before
9 them, it would probably help.

10 MS. PATTI RAMAGE: While we're passing
11 out, Mr. Chair, I also have the response to Undertaking
12 Number 6, if -- to save time, if I could pass that out at
13 the same time?

14 THE CHAIRPERSON: Sounds like a good
15 idea.

16 MR. JOHN LANDRY: And before I start, Mr.
17 Cormie, it'll be you that I will begin my questioning
18 with, os if you could have that graph before you that
19 would be helpful.

20

21 (BRIEF PAUSE)

22

23 THE CHAIRPERSON: Mr. Landry's book of
24 documents would be MIPUG-4.

25 MR. JOHN LANDRY: Thank you, sir.

1 --- EXHIBIT NO. MIPUG-4: John Landry's book of
2 documents
3

4 MR. JOHN LANDRY: Mr. Chair, I wonder --
5 or Ms. Ramage, perhaps what we should do is -- I see I
6 got more charts again, but could -- maybe we should just
7 mark that as another exhibit too. Or do you want to add
8 it to Exhibit 7? What's your...

9 MS. PATTI RAMAGE: No, I was going to
10 suggest that become Exhibit 8; that is the response to
11 Manitoba Hydro Undertaking Number 6. That was the
12 request of...

13 MR. BYRON WILLIAMS: Mr. Chairman, if I'm
14 -- I might confuse things further.
15

16 (BRIEF PAUSE)
17

18 THE CHAIRPERSON: Okay, Mr. Williams?

19 MR. BYRON WILLIAMS: Just before we -- we
20 go too far down the path. We may have made an error on
21 our part. There was an undertaking or a -- there was
22 something with regard to the opening statement of Hydro,
23 in -- in terms of time-of-use, that we had originally
24 marked as Exhibit 7 and I guess it wasn't marked as an
25 exhibit.

1 Okay, so that's our -- an error on our
2 part and I apologize for that.

3 MS. PATTI RAMAGE: Okay. So to be clear,
4 the document that we just handed out looks a lot like
5 Manitoba Hydro Exhibit 7, but if you look, the dates have
6 changed at the top. The graph will look the same -- that
7 was -- and so, the -- the document we've handed out is
8 for the period of 2006, April 01, to 2008, April 01, and
9 that would be the response to Undertaking 6. And I
10 believe it's Manitoba Hydro Exhibit 8, to make sure we're
11 all --

12 THE CHAIRPERSON: Now we're with you.
13 Thank you.

14

15 --- EXHIBIT NO. MH-8: Response to Undertaking 6

16

17 CROSS-EXAMINATION BY MR. JOHN LANDRY:

18 MR. JOHN LANDRY: So, Mr. Chairman, do
19 you have the documents before you?

20 So as I said, Mr. Cormie, I'm going to
21 start with you and I must say that -- and I see I've
22 received another two (2) graphs that I'm -- I'm trying to
23 keep up with and understand the new evidence that
24 Manitoba Hydro has introduced in the last several days,
25 and I feel like I'm fallen behind but I'm going to --

1 we'll see where we go with this.

2 Let's talk a little bit about Exhibit
3 Number 7, sir.

4 By -- by the way, Mr. Cormie, I don't make
5 that comment in a criticism of you, because I actually
6 found the evidence that you provided yesterday to be --
7 to be helpful. It's just hard to keep up with the
8 evidence that keeps coming in, and I'm -- and it was just
9 a general comment.

10 Sir, would you at least agree with this
11 proposition, that the Exhibit 7 that you provided and on
12 issues that are attempted to be dealt with, as I
13 understand it, in Exhibit 7, is fairly complex?

14 MR. DAVID CORMIE: It is a -- a
15 complicated issue, yes.

16 MR. JOHN LANDRY: Yeah. And I know you
17 tried to be helpful and I think I understood -- I
18 understood most of it but can you -- can you at least
19 appreciate this, sir, that it's difficult for our clients
20 to look at this and understand it in the short timeframe
21 that we have to -- to look at it?

22 Can you appreciate that?

23 MR. DAVID CORMIE: I appreciate that,
24 yes.

25 MR. JOHN LANDRY: Yeah. And you realize

1 that this is -- the first time that my clients and myself
2 had an opportunity to see this was yesterday when you
3 filed it before this Board?

4 MS. PATTI RAMAGE: I'm already -- I'm
5 concerned with Mr. Cormie attempting to -- to attempting
6 to -- to guess at what Mr. Landry's clients understand
7 and don't understand. The materials have been filed with
8 the Board to assist all parties in understanding it. I
9 don't think we can comment on what anyone understands in
10 this process.

11

12 CONTINUED BY MR. JOHN LANDRY:

13 MR. JOHN LANDRY: Mr. Chair, to move on I
14 will -- I will -- I will try to be a little clearer in my
15 question.

16 You realize though that this is the first
17 time that this information, sir, Manitoba Hydro Number 7,
18 was put on the record in this proceeding.?

19 Fair statement?

20 MR. DAVID CORMIE: Manitoba Hydro
21 provided this information because there was evidence
22 filed from the Intervenors' experts that raised the issue
23 of the tie-lines being a limiting factor. And in -- in
24 order to clarify the situation and because Manitoba Hydro
25 has access to the information, and rather than trying to

1 capture the information from web sites operated by the
2 market monitors and -- and the market operators, Manitoba
3 Hydro felt that it -- it -- by having providing this
4 information it would -- it would provide substance to the
5 -- to the issue.

6 And that's why we've provided this
7 information, so that the facts can be known.

8 MR. JOHN LANDRY: Sir, I understand
9 you're trying to be helpful, and as I started my cross-
10 examination I said I found that -- your evidence to be
11 helpful. That was not my question, sir.

12 My question is: This is the first time
13 that this information has been put -- this Exhibit Number
14 7 has been put on the record in this proceeding.

15 Would you agree with that, sir?

16 MR. DAVID CORMIE: Yes.

17 MR. JOHN LANDRY: And, sir, would you
18 also agree with the proposition that there's an awful lot
19 of data that effectively is utilized to put together
20 these grafts?

21 Is that a fair statement?

22 MR. DAVID CORMIE: There's a lot of -- of
23 information, yes.

24 MR. JOHN LANDRY: Yeah. And would you
25 also agree with me, sir, that the vast majority of data

1 that was used to prepared this document is not on the
2 record?

3 MR. DAVID CORMIE: It wasn't previously
4 on the record, right.

5 MR. JOHN LANDRY: Well, it's not -- it's
6 not on the record now is it, sir? The data that was
7 prepared to prepare -- that was used to prepare this
8 document is not on the record, correct?

9 MR. DAVID CORMIE: Correct.

10 MR. JOHN LANDRY: Now, sir, as I
11 understand what this -- what this was brought on the
12 record for, was to effectively show us all -- and it was
13 helpful -- the issue of whether or not there are
14 transmission and/or generation constraints to exports.

15 Is that a pretty fair summary?

16 MR. DAVID CORMIE: It's -- it's solely
17 intended to show how often flows on the interconnections
18 are constrained by the tie-line capacity. It doesn't
19 indicate whether -- which other of the factors, whether
20 they're Manitoba load or generation constraints or water
21 supply or ice or whatever the -- those can only be
22 implied. It's not intended to identify anything except
23 the tie-line flows.

24 MR. JOHN LANDRY: But, sir, using this
25 information, you have your view of constraints on the

1 system, which you included looking at this information
2 and concluding that there were some generation
3 constraints during certain time periods.

4 Fair statement?

5 MR. DAVID CORMIE: Fair, yes.

6 MR. JOHN LANDRY: Yeah, okay. Now, sir,
7 at a basic level, would you agree with me when I say that
8 the -- the value of the power Manitoba Hydro gets from
9 its MISO sales both on peak and off peak depend, at least
10 in part, on transmission issues, constraints, et cetera?
11 If there is one; if there isn't one?

12 MR. DAVID CORMIE: The -- the -- you know
13 the transmissions constraints limit Manitoba Hydro's
14 ability to capture opportunities at times, yes.

15 MR. JOHN LANDRY: Yes. So if I was
16 trying to determine the value of the power that your
17 exporting into the MISO market, it would be helpful for
18 me to have an idea of whether or not there were
19 transmission constraints or not.

20 That's a fair statement, correct?

21 MR. DAVID CORMIE: Correct.

22 MR. JOHN LANDRY: Yeah. And, sir, it's
23 also important to -- in determining the value of the
24 power Manitoba Hydro gets from MISO, both on-peak and
25 off-peak, is what limits you have in terms of generation

1 capacity and -- and energy, correct?

2 MR. DAVID CORMIE: Correct.

3 MR. JOHN LANDRY: So if I really wanted
4 to -- to understand the value that Manitoba Hydro gets
5 from selling on-peak and off-peak energy sales, you'd
6 really want to know both of those issues. Both the
7 transmission side of things and the -- and the -- and the
8 generation constraints or potential constraints.

9 That's a fair statement, isn't it?

10 MR. DAVID CORMIE: Correct.

11 MR. JOHN LANDRY: Okay, sir. I thought
12 you were going to say that, sir, and I -- and that answer
13 causes me great concern. And I want to tell you why in a
14 second, especially because the way in which this entered
15 -- this evidence has been introduced.

16 And, sir -- sir -- Mr. Cormie, first of
17 all, again, I'm not being critical of you. Your evidence
18 as far as I was concerned was -- was helpful and I think
19 most people in the room felt it was.

20 But, sir, you were -- Mr. Cormie...?

21 MR. DAVID CORMIE: Okay, I'm listening.

22 MR. JOHN LANDRY: Sorry. You were -- you
23 weren't responsible, sir, for the preparation of this
24 application.

25 Is that a fair statement? That was Mr.

1 Wiens' responsibility and his team?

2 MR. DAVID CORMIE: Manitoba Hydro was
3 responsible for the application in whole. We all
4 participate.

5 MR. JOHN LANDRY: Yes. But, sir, you
6 were not primarily responsible for preparing this
7 application.

8 Is that a fair statement?

9 MS. PATTI RAMAGE: I think Mr. Cormie's
10 answered the question. Manitoba -- there's a team
11 responsible for this application.

12

13 CONTINUED BY MR. JOHN LANDRY:

14 MR. JOHN LANDRY: Mr. Wiens -- Mr. Wiens,
15 who was primarily responsible within your organization
16 for the preparation of this application? You know, I
17 appreciate that there's a team that -- that does it.

18 Who was primarily responsible?

19 MR. ROBIN WIENS: There is a team, Mr.
20 Landry. We all have a role to play in it, but
21 ultimately, this application is reviewed at the level of
22 Manitoba Hydro and it goes out as Manitoba Hydro's
23 application.

24 MR. JOHN LANDRY: Okay. I'll take that
25 as a -- you're not sure. Okay.

1 MS. PATTI RAMAGE: Mr. Chairman, the --

2

3 CONTINUED BY MR. JOHN LANDRY:

4 MR. JOHN LANDRY: I -- that was a
5 gratuitous comment, Mr. Chairman, and I -- I withdraw it.
6 It's -- it's inappropriate to do that and I apologize.

7 Sir, you were aware, though, that Manitoba
8 Hydro -- Mr. Cormie, you were aware that Manitoba Hydro
9 originally filed its Energy Intensive Industry proposal
10 as part of its last GRA, correct?

11 MR. DAVID CORMIE: I was aware of that,
12 yes.

13 MR. JOHN LANDRY: And that they withdrew
14 it during that proceeding.

15 MR. DAVID CORMIE: Yes.

16 MR. JOHN LANDRY: And you were -- were
17 you aware, sir, that this Board, who has to approve this
18 proposal, in its reasons did provide some discussion on
19 the issue of -- of the potential proposal that would be
20 filed by Manitoba Hydro? Did you know that?

21 MR. DAVID CORMIE: Ask the question
22 again, please.

23 MR. JOHN LANDRY: Were you aware, in the
24 reasons that this Board provided in the GRA, that they
25 provided some discussion on the Energy Intensive Rate

1 issue?

2 MR. DAVID CORMIE: Yes.

3 MR. JOHN LANDRY: Okay. And, sir, were
4 you aware that there were a number of specific directives
5 that were made by this Board to Manitoba Hydro in
6 relation to that proposal?

7 MR. DAVID CORMIE: Yes.

8 MR. JOHN LANDRY: I wonder if I could
9 take you to that -- those reasons, sir, and if you could
10 go to Tab 2 of Mr. Peters' book of documents.

11 Do you have that, sir?

12 MR. DAVID CORMIE: Yes, I do.

13 MR. JOHN LANDRY: Could you go to page
14 378, please, sir?

15 MR. DAVID CORMIE: I have that.

16 MR. JOHN LANDRY: And, sir, at the bottom
17 or second to last paragraph at the page, you'll see and
18 I'll -- I'll read it into the record, it says:

19 "Accordingly the Board directs Manitoba
20 Hydro to provide an in-depth analysis
21 of the value of peak versus off-peak
22 energy sales into the MISO market."

23 Do you see that, sir?

24 MR. DAVID CORMIE: I see that.

25 MR. JOHN LANDRY: Yeah. Were you aware

1 of that direction, sir, as part of this team?

2 MR. DAVID CORMIE: Yes, I was.

3 MR. JOHN LANDRY: Okay. Now, were you
4 also aware, sir, that as part of the proposal that
5 Manitoba Hydro -- or application, sorry, that Manitoba
6 Hydro brought to this Board that there was no such in-
7 depth analysis prepared in that application?

8 I'm asking Mr. Cormie: Were you aware?

9 MR. DAVID CORMIE: I -- I understood that
10 we had been responsive to that requirement.

11 MR. JOHN LANDRY: You understood that,
12 sir?

13 MR. DAVID CORMIE: Well, we -- we
14 provided some information on on-peak and off-peak prices
15 in the MISO market. And we believe that was responsive.

16 MR. JOHN LANDRY: Sir, let me just be
17 very clear. I'm not trying to -- I'm not trying to
18 confuse you, I'm asking a very specific question. And if
19 you'd like, sir, to -- to look at the application, it's
20 at Tab 1 of MIPUG Exhibit Number 4, and I want you to
21 confirm for the record, sir, I'm not -- I'm trying to be
22 fair to you, there -- there is no in-depth analysis as
23 requested by the Board in that application.

24 Could you confirm that, sir?

25

1 (BRIEF PAUSE)

2

3 MR. DAVID CORMIE: I accept that.

4 MR. JOHN LANDRY: Okay. Now, in fact,
5 what the Board staff had to do was to ask, in an IR,
6 Manitoba Hydro to actually provide the in-depth analysis.

7 Are you aware of that, sir? And if you
8 would like some help, sir, if you could go to Tab 6 of
9 the MIPUG Exhibit Number 4.

10 MR. DAVID CORMIE: Yes. And that's the
11 information that -- that I was responsible for preparing,
12 yes.

13 MR. JOHN LANDRY: Yeah. And -- and so
14 that's my -- just so it's clear for the record, sir,
15 because there are three (3) pages in there, what you --
16 what you meant by your answer is PUB/Manitoba Hydro-1-12,
17 correct?

18 MR. DAVID CORMIE: Yes.

19 MR. JOHN LANDRY: Yeah. And, sir, in
20 that directive it basically asked Manitoba Hydro to
21 provide Manitoba's -- Hydro's response to the directive
22 we were talking about, correct? Amongst other things.

23 MR. DAVID CORMIE: Correct.

24 MR. JOHN LANDRY: Yeah. And it, once
25 again, asks for an in-depth analysis of value of on-peak

1 versus off-peak energy sales into the MISO market,
2 correct?

3 MR. DAVID CORMIE: Correct.

4 MR. JOHN LANDRY: And, sir, the -- the
5 answer that was provided was a number of, to say the
6 least, small graphs with a couple of tables beside it,
7 correct?

8 MR. DAVID CORMIE: That's correct.

9 MR. JOHN LANDRY: And -- and you, sir,
10 considered that responsive to that directive?

11 MR. DAVID CORMIE: I considered that to
12 be responsive, yes.

13 MR. JOHN LANDRY: You, sir, I want to --
14 I want to be -- I want to be fair to you, sir. You
15 considered providing three (3) graphs and two (2) tables
16 to be responsive to a request to provide an in-depth
17 analysis of the value of on-peak versus off-peak energy
18 sales?

19 MS. PATTI RAMAGE: Mr. Chairman, asking a
20 question more than once I don't think -- it doesn't
21 assist the process, it doesn't move it along. Mr.
22 Cormie's had has answer.

23 If someone wishes to chastize Manitoba
24 Hydro for its responses to Information Requests, I would
25 suggest particularly where those responses come from the

1 Board or those questions are directed by the Board, we
2 would expect something from the Board.

3 But I -- I don't see that we're moving
4 this process along by spending time questioning and re-
5 questioning Mr. Cormie on whether something is
6 responsive. We have what we have.

7 MR. DAVID CORMIE: In addition to the --

8 MR. JOHN LANDRY: Sorry, Mr. Cormie. Mr.
9 Chair, are you -- would you like to rule on Ms. Ramage's
10 --

11 THE CHAIRPERSON: Well, Mr. Landry just
12 asked Mr. Cormie a question whether he considered the
13 three (3) graphs was a comprehensive response to the
14 Board's request for a detailed analysis.

15 MS. PATTI RAMAGE: Absolutely correct.
16 And Mr. Cormie answered that question and then it was
17 posed again. And I'm just suggesting that if we pose
18 questions once, we'll move along a lot faster.

19 MR. ROBERT MAYER: Mr. Landry, I think
20 this Board has your point.

21 MR. JOHN LANDRY: Thank you, sir.

22

23 CONTINUED BY MR. JOHN LANDRY:

24 MR. JOHN LANDRY: Sir, now without --
25 without putting words into the Board staff mouth because

1 I haven't spoken to them, all I can see, they obviously
2 felt a need to followup with a further supplemental
3 Information Request.

4 Would that be a fair statement?

5 MR. DAVID CORMIE: Yes, and it was
6 provided, yes.

7 MR. JOHN LANDRY: Yes. And -- and the
8 question was on the next page in Exhibit MIPUG Number 4,
9 it's PUB/Manitoba Hydro-1-4 Supplementary. It said:

10 "Please calibrate and interpret the
11 graphs provided."

12 Do you see that, sir?

13 MR. DAVID CORMIE: Yes.

14 MR. JOHN LANDRY: Do you think that would
15 have been a good idea to provide that in the original
16 response?

17 MS. PATTI RAMAGE: Again, Mr. Chairman,
18 is there a question about the Application -- a good idea
19 about whether it should have been provided earlier or
20 not? This isn't the time to be asking these questions.
21 Let's move this matter along.

22 MR. JOHN LANDRY: Mr. Chairman, if I
23 could respond to that because I -- I actually find it a
24 little unfortunate the interruptions to this cross-
25 examination.

1 Let's be very clear what's happening here.
2 We've got three (3) or four (4) customers that are being
3 told they have to pay a market rate for the first time in
4 Manitoba's history.

5 And Manitoba Hydro, in my view, should be
6 asked these questions to make sure that the appropriate
7 process was put in place to -- to -- so that they were
8 treating those customers fairly. And that's only one (1)
9 part of it.

10 So I would appreciate the ability to ask
11 the questions.

12 THE CHAIRPERSON: You're asking the
13 questions, Mr. Landry.

14 MR. JOHN LANDRY: Thank you.

15

16 CONTINUED BY MR. JOHN LANDRY:

17 MR. JOHN LANDRY: I'll go back to my
18 question.

19 Do you not think it would have been a good
20 idea in response to the directive that was put out by
21 this Board to have provide -- provided the information
22 that you provided in Supplementary 1-12?

23 MR. DAVID CORMIE: I felt at the time
24 that the response to 12 was self-explanatory. I thought
25 that in providing the supplementary information we

1 converted what was on the charts into -- into text to
2 make it simpler to understand.

3 But I thought at the conclusion of the
4 response to the supplementary that we had adequately
5 provided an analysis of the prices that Manitoba Hydro
6 could achieve in the marketplace. And I thought that the
7 answer was -- was responsive.

8 In -- in the -- I get where I think where
9 you're going in the -- in the question about calibration
10 and interpreting the charts, there was no suggestion that
11 -- that we should provide other information about
12 generation or transmission line constraints or that --
13 that limited Manitoba Hydro's ability to access the
14 market and -- and so those -- those kind of questions
15 were not addressed and responded to in either the
16 original or in the -- in the supplementary response.

17 You may have a different interpretation of
18 what is meant by the value. I took the value question to
19 be one of what are the prices that can be achieved over
20 the periods of on-peak and off-peak and time of day and
21 that's the information that was provided and didn't
22 interpret that question to be one that says, Well, also
23 tell me about what are the time-line limitations.

24 MR. JOHN LANDRY: Sir, I was very, very
25 careful in my questions when I asked you at the

1 to have put you through that but I'm -- I would like to
2 go through a couple of questions specifically on the
3 graphs. And so if you could have Exhibit Number -- or
4 Manitoba Hydro Exhibit Number 7 before you.

5 Sir, as I understand this and -- and --
6 and please correct me if I am wrong in this, but as I
7 understand it, the period that you chose in the first --
8 in Manitoba Number 7, not Number 8, which I haven't had a
9 chance to look at yet, but in Number 8, 2005 to 2008 time
10 frame -- time frame are high-flow years?

11 MR. DAVID CORMIE: Which exhibit are you
12 looking at?

13 MR. JOHN LANDRY: I'm looking at Number
14 7, sir, I'm sorry.

15 MR. DAVID CORMIE: We -- we chose the
16 April 1st, 2005, period as the start of the analysis
17 because that's when Manitoba Hydro began participating in
18 the MISO day-ahead and real-time markets. Prior to that
19 we were in a bilateral market and the issue of customers'
20 willingness to buy would create another dimension to the
21 -- to the interchange issue.

22 So starting in April the 1st, 2005, it
23 gave us a date where that confounding factor has been
24 eliminated and we are now talking about a market that
25 doesn't discriminate against Manitoba Hydro. And then

1 the analysis went up to November the 1st of 2008 to
2 reflect that three and a half (3 1/2) year period.

3 That three and a half year (3 1/2) year
4 period is a -- is a -- is a period of -- of high flows
5 and average are higher than average flows, yes.

6 MR. JOHN LANDRY: So I guess the point
7 though, sir, is that these graphs do not portray,
8 obviously, low or average flow years?

9 MR. DAVID CORMIE: That's correct.

10 MR. JOHN LANDRY: And as I understand the
11 evidence from yesterday, sir -- at least, I think I
12 understood the -- the evidence from yesterday, in --
13 excuse me.

14 In high flow years, you say that on-peak,
15 the primary constraint is the -- a generation constraint,
16 I think is the way you put it. Is that a fair statement?

17 MR. DAVID CORMIE: I would say that the
18 generation constraint is the primary constraint in almost
19 all flows except low flows.

20 MR. JOHN LANDRY: And -- and does that
21 mean that in low-flow years, you could have a more
22 significant transmission constraint; is that the point
23 you're making?

24 MR. DAVID CORMIE: No, in -- in low-flow
25 years there's not enough water to run the hydro units

1 during the on-peak period. We have shut down units. So
2 it's not a -- it's not a transmission constraint, it's
3 binding. It's not a generation constraint. It's a lack
4 of water supply. And -- and so water supply is the
5 constraint at that point not capacity.

6 There is unused capacity on the system.
7 And -- and so under low flows we're not able to provide
8 enough water during the peak hours to run the generators.

9 MR. JOHN LANDRY: And -- and so -- so
10 would you call that an energy constraint as opposed to a
11 capacity constraint?

12 MR. DAVID CORMIE: That's a -- that's a
13 good way of looking at it, yes.

14 MR. JOHN LANDRY: Now, if you would like
15 to have before you because I think yesterday you kept
16 going back and forth, which was helpful to PUB/Manitoba
17 Hydro-1-16; that is the tables where you have the on-
18 peak and off-peak for 2006, 2007 by month.

19 Do you recall that, sir?

20 MR. DAVID CORMIE: I have that, yes.

21 MR. JOHN LANDRY: Okay. And -- and, sir,
22 I just want to -- I just want to pick one (1) of the --
23 the months in that time frame.

24 Oh, yeah, my -- my colleague mentions to
25 me, Mr. Chair, that this was a handout that Mr. Peters

1 gave yesterday, and it was a document we were -- kept
2 going back and forth on -- on the graph.

3

4 (BRIEF PAUSE)

5

6 MR. JOHN LANDRY: Mr. Cormie, you have
7 that before you now?

8 MR. DAVID CORMIE: Yes, I do.

9 MR. JOHN LANDRY: I'd like to just take
10 as one -- just as an example July -- say July 2007, you
11 see that?

12 MR. DAVID CORMIE: I see that, yeah.

13 MR. JOHN LANDRY: Yeah. Now, as I
14 understand it, the -- the point you were making in your -
15 - in your -- in the questions and answers yesterday to
16 Mr. Peters was that -- at that -- let's just use that
17 month, there was no transmission constraint.

18 Is that a fair statement? In other words,
19 it was a generation constraint?

20 MR. DAVID CORMIE: In July 2007 because
21 the -- if you look at the off-peak volume is 668,877
22 megawatt hours. Manitoba Hydro is -- is maximizing off-
23 peak sales because there are limits to how much energy
24 can be sold in the on-peak.

25 And so the on-peak will be constrained by

1 generation. The off-peak will be constrained by
2 generation. And if my memory serves me right, we were
3 spilling at the time, and so water supply was not a
4 limitation.

5 MR. JOHN LANDRY: Okay, sir, so -- that's
6 -- that's helpful. But in -- in effect I was looking at
7 on-peak, sort of, and I probably didn't point that out.
8 On on- peak it was effectively a generation constraint as
9 opposed to a transmission constraint; fair statement?

10 MR. DAVID CORMIE: I would agree that the
11 -- that the vast majority of the limitations would be a -
12 - a limitation on generation, yes.

13 MR. JOHN LANDRY: And, sir, if -- if in
14 July '07 -- if an industrial customer had reduced their
15 off-peak use, you had no capability to store the water
16 that would have been saved by that, fair statement, by
17 what you said?

18 MR. DAVID CORMIE: I -- I accept that in
19 that month a reduction in industrial load in the off-peak
20 would have not resulted in increase in off-peak sales.

21 MR. JOHN LANDRY: And there would be
22 obviously -- I -- I don't want to go into every detail of
23 every month, but there would be other months where that
24 would be a similar situation, correct?

25 MR. DAVID CORMIE: I suspect that August

1 was similar to that.

2 MR. JOHN LANDRY: That's one of -- that's
3 another example?

4 MR. DAVID CORMIE: Yes. Looking at the
5 volumes of off-peak sales for the rest of the year,
6 they're much, much lower than the six hundred and seventy
7 thousand (670,000) that we achieved in -- in July and
8 August. So -- and again, as my memory serves me right,
9 we did not spill in other months outside the summer
10 months.

11 MR. JOHN LANDRY: Mr. Cormie, given your
12 ability to turn around these graphs fairly quickly, I
13 wonder if you could provide us on a -- on an undertaking,
14 with a graph for a specific month, and since we've used
15 July '07, could you provide graphs for -- for July '07?

16 MR. DAVID CORMIE: Yes, we can. You were
17 wanting the same format?

18 MR. JOHN LANDRY: Yes, please, that would
19 be helpful. We take that as an undertaking?

20 MR. DAVID CORMIE: We'll provide that.

21

22 --- UNDERTAKING NO. 7: Manitoba Hydro to provide
23 graphs for off-peak sales for
24 July of 2007

25

1 CONTINUED BY MR. JOHN LANDRY:

2 MR. JOHN LANDRY: And also, sir, just so
3 that we have some other graphs before us, could you, and
4 I -- and I leave it to your -- your discretion, sir, as
5 to which one you pick, but could you do one for, say, a
6 reasonably representative winter month and a reasonably
7 representative shoulder month too? Could you do that?

8 MR. DAVID CORMIE: Yes, we can do that.

9 MR. JOHN LANDRY: Thank you. Given what
10 -- you said it in response to my earlier question, sir, I
11 was going to ask you whether or not you could get for us
12 a -- a summer month where there are normal flows.

13 But is that not something that you'd be
14 able to do? Or could you? If you could, that would be
15 helpful.

16 MR. DAVID CORMIE: Fortunately or
17 unfortunately water conditions since the MISO market
18 opened in the summer have resulted in high flows in each
19 summer. So we will -- we will look and see if we can
20 find something. But I suspect there isn't a summer month
21 in the last three (3) years where we were not at average
22 flows in the summertime. But I will check.

23 MR. JOHN LANDRY: Okay.

24

25 --- UNDERTAKING NO. 8: Manitoba Hydro to provide a

1 graph for a reasonably
2 representative winter month
3 and a reasonably
4 representative shoulder month
5 where there are normal flows;
6 and if possible, a summer
7 month

8

9 CONTINUED BY MR. JOHN LANDRY:

10 MR. JOHN LANDRY: And I was going to ask
11 you a couple of other ones. So while you're checking
12 maybe you could check. I was kind of wondering whether
13 or not you might be able to prepare a graph, again, you
14 pick the time in the summer, when there was, you know,
15 when there was a drought, no high flows, no average
16 flows. But I -- I leave that with you.

17 I understand, given your -- your evidence,
18 that that might be difficult but if you could at least
19 take it, as we would say, under advisement and see if
20 that's -- something could be provided on that.

21 Would you take a look at that?

22 MR. DAVID CORMIE: We'll -- we'll reach
23 back to 2003 and bring back those memories for you --

24 MR. JOHN LANDRY: Those fond memories,
25 yes.

1 MR. DAVID CORMIE: -- Mr. Landry, of our
2 -- our interchange transaction during drought.

3

4 --- UNDERTAKING NO. 9: Manitoba Hydro to provide a
5 graph of an interchange
6 transaction during drought
7 when there were no high flows
8 and no average flows (Taken
9 Under Advisement)

10

11 CONTINUED BY MR. JOHN LANDRY:

12 MR. JOHN LANDRY: I wanted to ask you
13 another question, sir, because I was a bit confused and -
14 - and given that you've been kind enough to appear here,
15 perhaps you might be able to clarify an answer that came
16 out of the previous GRA. And I'm going to have to take
17 you to another document and I apologize.

18 It is in the evidence of Messrs. Bowman
19 and -- and McLaren, and it is footnote 48, sir.

20 MR. DAVID CORMIE: Do you have a page
21 reference for that?

22 MR. JOHN LANDRY: I will get it in a
23 second. It's page 33. And I -- and perhaps for
24 everybody else so you don't have to go through it, I
25 could just read the footnote. It's a quote from the GRA

1 and I just wanted to get your comment on it. It was
2 evidence of Mr. Surminski.

3 And given what we heard yesterday, which,
4 as you can appreciate, Mr. Cormie, it was surprising to a
5 number of people, we wanted to just see what -- what
6 comment you had on -- on an answer that Mr. Surminski
7 gave in the GRA.

8 So you see the footnote 48, sir?

9 MR. DAVID CORMIE: Yes.

10 MR. JOHN LANDRY: Yeah. Now, sir, and --
11 and again, it could be me not understanding, but I did
12 not take the answer to that question by Mr. Surminski as
13 suggesting to me that you very rarely had transmission
14 constraints. That I took the answer to that question
15 that, in fact, transmission constraints were of some --
16 some magnitude.

17 And -- and just so that we could have it
18 on the record, Mr. Surminski's -- or the -- the question
19 by Mr. Peters was, quote:

20 "The benefit of having those
21 interconnections is Manitoba Hydro
22 would be able to sell its Wuskwatim
23 output at -- as peak energy and higher
24 prices than if it was off peak,
25 correct?"

1 And Mr. Surminski answered:

2 "Correct. Not only Wuskwatim
3 energy..."

4 And this is the important point I wanted
5 you to look at:

6 "...all other export energy would
7 receive higher prices with greater
8 interconnection capability."

9 See that, sir?

10 MR. DAVID CORMIE: Yes, I do.

11 MR. JOHN LANDRY: And, sir, you realize
12 that -- that this question was dealing with potential
13 development of increased cross-border transmission?

14

15 (BRIEF PAUSE)

16

17 MR. DAVID CORMIE: Yeah, we're not sure
18 of the context of that question, Mr. Landry. The
19 Wuskwatim energy by itself via existing interconnection
20 has sufficient capability to take Wuskwatim energy to
21 market in the on-peak.

22 It's post new generation, whether it's
23 Keeyask or Conawapa that requires additional
24 interconnected capability and, so, the assumption of the
25 value of Wuskwatim is -- is a function of -- of whether

1 we have additional interconnection -- interconnected
2 capability in a -- at the same time as we add the next
3 new plant after Wuskwatim.

4 And -- and that's the -- I believe that's
5 the context of Mr. Surminski's response.

6 MR. JOHN LANDRY: Well, sir, what -- what
7 I don't understand and please -- please, if you can help
8 me with it, it says -- and I quote:

9 "All other export energy would receive
10 higher prices with greater
11 interconnection capability."

12 I took that, and maybe we'll just make as
13 an assumption, you can tell me whether it's correct,
14 that, in fact, there was export energy available up to
15 the time of Wuskwatim. Maybe -- maybe including
16 Wuskwatim, maybe not including Wuskwatim, that would
17 actually benefit from greater inter -- international
18 interconnection capability.

19 Is that correct or not correct?

20 MR. DAVID CORMIE: I think I'll have to
21 let Mr. Surminski answer that. I'm -- he was the one
22 that responded.

23 MR. JOHN LANDRY: Well, can I -- can I
24 just stay with you for one second though, Mr. Cormie, and
25 then we'll go to Mr. Surminski.

1 Given what you said yesterday, I took it
2 that effectively new international interconnection
3 capability would not be something that was necessary to
4 increase the value of your export sales in any material
5 way.

6 Am I -- am I wrong in that?

7 MR. DAVID CORMIE: Not until we build
8 into the next new plant after Wuskwatim.

9 MR. JOHN LANDRY: After Wuskwatim?

10 MR. DAVID CORMIE: Yes.

11 MR. JOHN LANDRY: Mr. Surminski --

12 MR. DAVID CORMIE: And that's because the
13 existing capability is -- is sufficient most of the time
14 and as the Manitoba load grows, any transmission
15 constraints that are occurring today will -- we will grow
16 out of those.

17 As the Manitoba load grows 75 to 100
18 megawatts a year -- 75 to 100 megawatts of new -- of
19 freed-up transmission takes place and -- and so to the
20 extent that it's a constraint today, it will be less of a
21 constraint tomorrow.

22 MR. JOHN LANDRY: Mr. Chair, I have one
23 follow-up question, if I could do that before we break?

24 THE CHAIRPERSON: Okay, please.

25

1 CONTINUED BY MR. JOHN LANDRY:

2 MR. JOHN LANDRY: Mr. Surminski, to be
3 fair to you, sir, given that discussion with Mr. Cormie,
4 would you like to revise your answer to that question
5 that you had at the GRA?

6 MR. HAROLD SURMINSKI: No, without the
7 context of -- of what led to this discussion, I cannot
8 really comment on that. I'd have to refresh myself at
9 exactly what the context of this question was and why
10 there was interconnection capability being discussed with
11 Wuskwatim. I don't know why the two (2) were related in
12 this way.

13 So it's -- it's a matter of time in a --
14 and timing. Is it after 2020, after we have an
15 interconnection and Wuskwatim is still on? That's --
16 that's the part that I'm not sure the context of that.

17 THE CHAIRPERSON: Why don't you consider
18 the context over the lunch break and then we'll return to
19 this right after.

20 MR. JOHN LANDRY: And, Mr. Chair, just so
21 I can put on the record because I don't want to be
22 unfair, that -- that is -- that is perfectly valid and I
23 would appreciate it if you would take a look at the
24 context.

25 It's probably my fault for not bringing

1 you the -- the transcript. I apologize for that. But if
2 you could take a look at that and come back onto the --
3 to that point, that would be helpful.

4 MR. HAROLD SURMINSKI: Yes, yes, I will
5 review it.

6 THE CHAIRPERSON: Okay. We'll see you
7 back at 1:15, thank you.

8

9 --- Upon recessing at 12:05 p.m.

10 --- Upon resuming at 1:20 p.m.

11

12 THE CHAIRPERSON: Okay. Welcome back.
13 Mr. Landry...?

14

15 CONTINUED BY MR. JOHN LANDRY:

16 MR. JOHN LANDRY: Thank you, sir. I do
17 have the full extract from the transcript, Mr. Surminski,
18 and so to give you a -- a chance -- have you had a chance
19 to review it?

20 MR. HAROLD SURMINSKI: Yes, I have the
21 pages surrounding that in front of me also.

22 MR. JOHN LANDRY: Okay. I -- I guess
23 what I was really trying to say, sir, and -- and please
24 if you could help the Board in terms of what you were
25 attempting to say.

1 I took when I went through it, including
2 the reference that you have here to Keeyask and Conawapa,
3 I still took it that what you were saying effectively was
4 that all export sales -- or all export energy would still
5 get higher prices if there was more international
6 interconnection capability.

7 Was I reading that incorrectly?

8 MR. HAROLD SURMINSKI: The full of
9 context of what led up to this comment and this response
10 to the question was, first of all, interconnections with
11 Keeyask and Conawapa as you acknowledge. So the question
12 was: With Keeyask and Conawapa, are interconnections
13 necessary or are they useful?

14 And I said, yes, because they are large
15 hydro plants and -- and we would be very constrained with
16 -- with existing interconnections.

17 So the further question seemed to be,
18 yeah, given that you're out in time here, with the
19 interconnections on -- with Keeyask and Conawapa, would
20 it also help Wuskwatim and getting Wuskwatim energy out
21 at -- on peak times.

22 And certainly that would be the case
23 because you're very saturated with a lot of hydro
24 generation from the other two (2) plants. So you need
25 more interconnection in order to get Wuskwatim in

1 addition to the other two (2) hydro plants out at -- on
2 peak times.

3 And the more general question then
4 followed is not only Wuskwatim, all energy would -- would
5 achieve greater value any time you have more
6 interconnection.

7 For example, the interconnection may not
8 be just into the same market, it could be to another
9 market. So if you have two (2) parallel markets, you're
10 able to pick the prime times and their peak prices in
11 each of these markets at the same time as opposed to
12 having, you know, a single interconnection into the
13 single market.

14 So more interconnections to diverse
15 markets are a great advantage to Manitoba Hydro. So
16 that's the context of -- of my answers there.

17 MR. JOHN LANDRY: Sir, you would agree
18 with me though, sir, that the -- the answer that you gave
19 was that all export energy would receive higher prices
20 with greater interconnection capability?

21

22 (BRIEF PAUSE)

23

24 MR. HAROLD SURMINSKI: Your question by
25 "all energy," are you differentiating between firm energy

1 and opportunity energy?

2 MR. JOHN LANDRY: I -- I'm -- I'm using
3 your words, sir, so I'm asking you for what you meant.

4 MR. HAROLD SURMINSKI: Yes, well firm
5 energy would -- would achieve our -- our prices because
6 we've negotiated prices for that in advance.

7 So it would be the opportunity energy the
8 -- the surplus energy above dependable sales that would
9 be subject to -- to tie-lines and -- and, you know, at
10 diverse markets we would get better value for our
11 product.

12 MR. JOHN LANDRY: Sir -- sir, let me just
13 be clear. Effectively the footnote that was referenced
14 was a footnote by Messrs. -- Messrs. Bowman and McLaren,
15 and they were relying on the evidence that you had
16 provided there. And obviously they thought that there
17 were some transmission constraints.

18 And in your -- in your statement you -- I
19 take it that you said all export energy would receive
20 higher prices with greater interconnection capability.

21 MR. HAROLD SURMINSKI: Yes, and the --
22 the further we do not -- we have not sold all our
23 dependable energy forward out in time, so to the extent
24 that there is uncommitted dependable energy that has not
25 been contracted, that would also benefit from diverse

1 markets from having additional interconnection.

2 MR. JOHN LANDRY: Sir --

3 MR. HAROLD SURMINSKI: But all energy --
4 yes, I would stand behind it. All -- all energy in -- on
5 -- you know, on the aggregate would -- would achieve
6 better value with more interconnections.

7 MR. JOHN LANDRY: Sir, I've only been
8 here at two (2) hearings, but I've heard this issue of
9 tie-line constraints more than once. And now what I
10 heard yesterday was that there are no tie-line
11 constraints; in effect, no material tie-line constraints.

12 And, sir, when I read your evidence here
13 it suggested to me that if you have a tie-line -- and
14 let's go just to the time -- point in time where
15 Wuskwatim comes into service, if you had a new tie -- had
16 better tie-lines, a better international tie-line, all
17 export energy would receive higher prices. Meaning, to
18 me -- you correct me if I'm wrong -- that there was a
19 transmission positive thing if there was a new
20 transmission line put in place. There was some sort of
21 constraint that -- that caused a problem, and yet we
22 heard yesterday there was no problem.

23 MR. HAROLD SURMINSKI: First of all, I'd
24 like -- I -- I speculated before the lunchbreak I -- you
25 know what time period was the reference relating to, and

1 I speculated it was 2020, and it's -- it is exactly that.
2 It was the time period out in time when we have surplus -
3 - a lot of surplus hydro generation, that's the time when
4 -- when we need additional interconnection. Wuskwatim
5 was added on top of that.

6 It was a general question saying, Well, if
7 you have Keeyask and Conawapa, and you still have
8 Wuskwatim in your system will it help in achieving better
9 prices of Wuskwatim? And the answer is yes.

10 MR. JOHN LANDRY: Sir, I -- I didn't want
11 to do this, but I'm going to have to do it, to -- to get
12 a little clarity here. And I -- and I -- and if I'd --
13 if I'd known that I was going to have to do this I would
14 have had the transcript available, and I apologize ahead
15 of time.

16 But I'm going to read the transcript. You
17 have it in front of you, so you can follow along with me,
18 okay? Mr. Surminski, you with me?

19

20 (BRIEF PAUSE)

21

22 MR. JOHN LANDRY: Are you -- are you
23 ready? Has Mr. Cormie helped you a little bit? Are you
24 ready?

25

MR. HAROLD SURMINSKI: There is some

1 qualification that may help before you advance that
2 question.

3 MR. JOHN LANDRY: Well, let's -- let me --
4 - let me try to read the transcript so we all know what
5 we're talking about, before people get in the middle of a
6 debate here. And I'm going to go -- and it's the
7 transcript from page 721 of the GRA hearing.

8 And -- and to make sure that I've read in
9 the -- the context of what -- where we went to, I'm going
10 to start at line 7.

11 Are you there, Mr. Surminski?

12 MR. HAROLD SURMINSKI: Yes, I am.

13 MR. JOHN LANDRY: And it was a question
14 by Mr. Peters. And the question was this:

15 "And we've heard last week that that's
16 going to be dependent on the building
17 of interconnections or transmission
18 capabilities across the borders,
19 correct?"

20 Your answer was at line 10:

21 "Interconnections help us, but, we --
22 not for Wuskwatim, we needed
23 interconnections for Keeyask or
24 Conawapa."

25 The question by Mr. Peters:

1 "And at this point in time you don't
2 have any counterparties who appear to
3 be willing to agree to build
4 interconnections to allow more of the
5 Wuskwatim output to come off at peak
6 times?"

7 Answer by you, at line 17:

8 "We -- we could always utilize
9 interconnections. Interconnections
10 always assist in -- in getting more
11 product at better prices. But it's not
12 required for Wuskwatim. I mean, our
13 early years till about 2020."

14 Question at line 22 by Mr. Peters:

15 "The benefit of having those
16 interconnections is -- Manitoba Hydro
17 would be able to sell its Wuskwatim
18 output at -- as peak energy and higher
19 prices than if it was off-peak,
20 correct?"

21 Answer by you in the next page, 722 at
22 line 1:

23 "Correct. Not only Wuskwatim energy,
24 all our export energy would receive
25 higher prices with greater

1 interconnection capability."

2 Now, first of all, did I read that
3 accurately?

4 MR. HAROLD SURMINSKI: Yes, you have.

5 MR. JOHN LANDRY: And is -- are the --
6 are the answers to those questions, correct?

7 MR. HAROLD SURMINSKI: Yes, in the
8 context that they were given.

9 MR. JOHN LANDRY: And I want to switch
10 topics a bit here and I'd like to have a -- perhaps, Mr.
11 Wiens, you'd be the appropriate person to deal with on
12 this. If you'd like to hand it off, please -- please
13 feel free to do so, sir. And I'm going to talk a little
14 bit about regulatory principles and the -- and a whole
15 concept of fairness, sir, so you know generally where I'm
16 at on this, okay?

17 And -- and I'd like to ask some questions
18 sort of from the perspective of what is happening in this
19 application regarding basic regulatory principles, just
20 so you know where I'm -- I'm starting from. And -- and I
21 say that and I -- and I will look in terms of comparison
22 to what we're doing -- or attempting to do today, or what
23 Manitoba Hydro's attempting to do today, compared to the
24 approach that's been in place for say -- let's just say
25 the last twenty (20) years, since the late '80's, early

1 '90's, okay?

2 MR. ROBIN WIENS: Okay.

3 MR. JOHN LANDRY: Now it's fair to say,
4 sir, and I don't think this is controversial, but that
5 during that timeframe all of the rates that were charged
6 to your customers were established using embedded cost
7 principles.

8 Is that a fair statement?

9 MR. ROBIN WIENS: Yes, they were designed
10 to recover a revenue requirement that's based on embedded
11 costs.

12 MR. JOHN LANDRY: And -- and using the
13 basic embedded cost principles that we're all familiar
14 with that -- that appear in these type of hearings -- I'm
15 not sure anybody else understands this, but those of us
16 who appear in these type of hearings -- the industrial
17 group or any group could come to your General Rate
18 Applications, where rates were to be set and approved,
19 and they could scrutinize all of the costs that made up
20 the revenue requirement.

21 A fair statement?

22 MR. ROBIN WIENS: Yes.

23 MR. JOHN LANDRY: And, sir, part of that
24 process would -- of course, would review how Manitoba
25 Hydro proposed to take those costs and establish rates,

1 correct?

2 MR. ROBIN WIENS: Yes.

3 MR. JOHN LANDRY: Now -- and -- and I
4 think you'd agree with me, sir, that that process is --
5 is very transparent.

6 Would you agree with that?

7 MR. ROBIN WIENS: It is -- seem to be
8 transparent.

9 MR. JOHN LANDRY: Well, I'm not sure I
10 understand that answer, but do you think it's transparent
11 or not?

12 MR. ROBIN WIENS: Well, we -- we have not
13 had objections that it's not transparent.

14 MR. JOHN LANDRY: So from your
15 perspective you believe -- on behalf of the Utility, the
16 monopoly supplier, it is transparent.

17 Fair statement?

18 MR. ROBIN WIENS: Yes.

19 MR. JOHN LANDRY: All right. And -- and
20 what that does is it allows any customer or group of
21 customers to test the fairness of the rates to be
22 charged.

23 Fair statement?

24 MR. ROBIN WIENS: Yes.

25 MR. JOHN LANDRY: And it also allows them

1 to test the costs that make up the rates, to see whether
2 they're prudent costs.

3 Fair statement?

4 MR. ROBIN WIENS: Yes.

5 MR. JOHN LANDRY: And, sir, this is all
6 done within a regulatory construct, which has Manitoba
7 Hydro as a monopoly supplier, correct?

8 MR. ROBIN WIENS: Yes.

9 MR. JOHN LANDRY: And Manitoba Hydro
10 having an obligation to serve all of Manitoban customers.

11 Fair statement?

12 MR. ROBIN WIENS: Yes, subject to the
13 rates that are approved by this Board.

14 MR. JOHN LANDRY: Right. And all
15 Manitoba customers, including all of the industrial
16 group, are required to purchase all of their requirements
17 from Manitoba Hydro, correct?

18 MR. ROBIN WIENS: Unless they have their
19 own self generation --

20 MR. JOHN LANDRY: I accept that
21 qualification, sir. But they're not entitled -- outside
22 of that one (1) exception, they're not entitled to
23 effectively go out in the market and purchase their
24 electricity requirements, correct?

25 MR. ROBIN WIENS: That's correct.

1 MR. JOHN LANDRY: Now, sir, would you
2 agree with this as a -- as a -- as a statement, that over
3 the last twenty (20) years that we're talking about,
4 there were times when embedded cost rates were higher
5 than the average export prices?

6 MR. ROBIN WIENS: Yes, I believe that
7 that has been the case, going back into the 1980s.

8 MR. JOHN LANDRY: Yeah. But in more
9 recent times, it's been the other way around, correct?

10 MR. ROBIN WIENS: Yes. For a number of
11 years, it's been the other way around, yes.

12 MR. JOHN LANDRY: Now, sir, would you
13 agree with this as a -- as a proposition, that in effect,
14 what Manitoba Hydro is asking this Board to approve is a
15 marked departure from the embedded costs type regulation
16 that we've had for awhile?

17 MR. ROBIN WIENS: Yes, it's applying a
18 different principle.

19 MR. JOHN LANDRY: And -- and the -- what
20 -- the reason for that is because you're now proposing a
21 second-tier rate where it's not embedded costs driving
22 the rate, it's market pricing.

23 Fair statement?

24 MR. ROBIN WIENS: Manitoba Hydro's
25 opportunity cost is generally reflected in the market.

1 MR. JOHN LANDRY: Yeah. Sir, what is
2 driving the rate is market pricing.

3 Fair statement?

4 MR. ROBIN WIENS: Yes.

5 MR. JOHN LANDRY: And you've created, and
6 I -- and I say this with respect, you've created a proxy
7 of what you believe to be the market rate that should be
8 put in place, correct?

9 MR. ROBIN WIENS: Yes.

10 MR. JOHN LANDRY: And, of course, this
11 rate, as we all know, is not intended to be revenue
12 neutral for the -- each individual customer, as is the
13 case, for example, in British Columbia.

14 MR. ROBIN WIENS: That's correct.

15 MR. JOHN LANDRY: Now -- sir, now
16 customers that are going to be subjected to that rate,
17 they can no longer look to the transparency of the
18 exercise that you went through for the -- for the last
19 twenty (20) years to look at the embedded costs to test
20 the fairness of the rate, can they?

21 MR. ROBIN WIENS: No, they're not looking
22 at the same information.

23 MR. JOHN LANDRY: Right. But yet, we're
24 talking market rates now, and yet those customers that
25 are going to be subjected to this rate are still not

1 allowed to go out into the market and test the market
2 themselves, correct?

3 MR. ROBIN WIENS: That's true.

4 MR. JOHN LANDRY: Okay. So would you
5 agree with the basic proposition that this application is
6 effectively mixing market pricing -- sorry, market-based
7 pricing with embedded cost rates?

8 Would you agree with that?

9 MR. ROBIN WIENS: Yes, I would say it's
10 bringing market pricing into the rate making process for
11 this group of customers.

12 MR. JOHN LANDRY: It's bringing market
13 pricing into the embedded cost regulation construct that
14 we now have in place.

15 Is that a fair statement?

16 MR. ROBIN WIENS: Yes.

17 MR. JOHN LANDRY: But what's different
18 here, sir, is that it's Manitoba Hydro that determines
19 what the market rate that's going to be used to charge to
20 your customers.

21 Fair statement?

22 MR. ROBIN WIENS: Manitoba Hydro's put
23 forward a rate in this application.

24 MR. JOHN LANDRY: Right. It is you --
25 and I don't mean you, sir. I apologize.

1 It is Manitoba Hydro that sets the market
2 rate for the customers.

3 Fair statement?

4 MR. ROBIN WIENS: Yes.

5 MR. JOHN LANDRY: And it's Manitoba Hydro
6 that decides that it's the so-called average firm market
7 rate that should be the rate, correct?

8 MR. ROBIN WIENS: That's the proposition
9 that we've put forward.

10 MR. JOHN LANDRY: And if we start from
11 one (1) basic small point, that if we didn't just use
12 firm export prices and we used firm and non-firm export
13 prices, you would agree with me if we use that and took
14 an average, it would be lower, correct?

15 MR. ROBIN WIENS: Yes, it would be lower.

16 MR. JOHN LANDRY: Now, sir, I want to go
17 to the -- the issue of how the parties can test the
18 fairness of this new construct that -- that is being
19 proposed by this -- by this application. But, first of
20 all, I want to talk a little bit about a -- excuse me, an
21 exchange that I understood happened yesterday or I heard
22 it happened yesterday. And maybe we'll go to Mr. Cormie
23 on this one.

24 Mr. Cormie, I heard you say, if I -- if I
25 heard it correctly, that the -- Manitoba's energy

1 intensive customers that are going to be impacted by the
2 rate, are receiving a premium product to your export
3 customers.

4 Is that a fair statement?

5 MR. DAVID CORMIE: Yes, from the
6 perspective of reliability.

7 MR. JOHN LANDRY: Now, surely, sir,
8 you're not saying that from your department's point of
9 view, that -- that works in the -- in the export markets,
10 that -- that your perspective is that sales to the
11 domestic customers is an inferior sale?

12 MR. DAVID CORMIE: No. What I'm saying
13 is that the -- the quality of service that the domestic
14 customer receives from Manitoba Hydro as compared to an
15 export, either a firm or an interruptible export, it's --
16 it's a better level of service. It's a higher
17 reliability.

18 MR. JOHN LANDRY: And it's a better level
19 of service, sir, because Manitoba's primary obligation is
20 not to serve the export markets, it's to serve the
21 domestic customers, correct?

22 MR. DAVID CORMIE: Absolutely.

23 MR. JOHN LANDRY: And that would include
24 not only industrials, but that would include all of the
25 other rate classes, correct?

1 MR. DAVID CORMIE: That's correct.

2 MR. JOHN LANDRY: Would -- Mr. Wiens, go
3 back to you for a second. Would you agree, sir, that the
4 embedded cost rates charged to your good industrial
5 customers, including the energy intensive customers that
6 we're talking about here, have helped build the very
7 assets that the -- Manitoba uses to export product to the
8 United States?

9 MR. ROBIN WIENS: Assets were built to
10 serve the customers in Manitoba and then rates were
11 designed, based on the cost of those assets.

12 MR. JOHN LANDRY: So, is that -- is the
13 answer to that yes, to my question?

14 MR. ROBIN WIENS: Yes. The answer is
15 yes.

16 MR. JOHN LANDRY: Now, sir, Mr. Wiens, I
17 -- I put it to you that, again, unlike the situation that
18 we've been into up to this point in time, where customers
19 can scrutinize costs that go into rate, to ensure that
20 it's fair, given what Manitoba Hydro is willing, and
21 don't take that as a -- necessarily a criticism, but
22 given that -- what Manitoba Hydro is willing to put on
23 the public record, there's no similar way to test the
24 fairness of any market rate.

25 Is that a fair statement?

1 (BRIEF PAUSE)

2

3 MR. ROBIN WIENS: Well, as an example, I
4 guess, if you go to the response that was provided to
5 PUB-12B, which is the prices at the Manitoba Hydro node
6 MISO, those are indicative, they are not absolutely what
7 Manitoba Hydro would receive for a sale at that node, at
8 any particular time.

9 They are indicative. They -- they will
10 provide you with -- with, I think, some -- some comforts
11 that we're in the ballpark but they're not -- they will
12 not support specifically the average two (2) year revenue
13 that Manitoba Hydro obtained from sales in that market.

14 MR. JOHN LANDRY: Well, would you agree
15 with me -- with this, sir, that the only thing or things
16 or information that your customers, your good customers
17 can take a look at, to test your -- the price that you
18 decide is going to be the market rate, is either what's
19 on this application or what's on the public record?

20 A fair statement?

21 MR. ROBIN WIENS: Yes.

22 MR. JOHN LANDRY: And, sir, when I say,
23 you know -- sorry, Mr. Wiens.

24

25 (BRIEF PAUSE)

1 MR. JOHN LANDRY: Sir, just to be clear,
2 my colleague has pointed out and I -- and I want to make
3 sure that the Board is aware that I'm not suggesting
4 otherwise, when I say "Hydro sets the rate," I mean Hydro
5 picks the rate, comes to this Board and asks for its
6 approval. That's what I meant. You took as that, did
7 you not?

8 MR. ROBIN WIENS: And I took it as that.

9 MR. JOHN LANDRY: Thank you, sir. I
10 apologize, sir, that's...

11 MR. ROBERT MAYER: We have been known to
12 disagree with Hydro on what their rates ought to be.

13 MR. JOHN LANDRY: I think -- I think my
14 customers probably would say the same thing.

15

16 CONTINUED BY MR. JOHN LANDRY:

17 MR. JOHN LANDRY: Sir, let's just start
18 again with -- with what's on the public record. First of
19 all, the rate is established, as -- as I understand the
20 discussion that went on yesterday with Mr. Cormie and
21 with you, is most of the sales that you're using to come
22 to the rate are under sales contracts.

23 A fair statement? Written sales
24 contracts?

25 MR. ROBIN WIENS: Yes.

1 they're very complicated.

2 MR. JOHN LANDRY: And what I'm saying to
3 you is, is as I understood your exchange with Mr. Peters
4 yesterday, unless it's on the public record down in the
5 United States for some reason, unre -- or redacted, the
6 way I understood it, your contracts are not on the public
7 record.

8 Is that a fair statement?

9 MR. DAVID CORMIE: The unredacted version
10 are not on the record, as far as I know.

11 MR. JOHN LANDRY: And there are a lot of
12 contracts that aren't on the record at all.

13 Fair statement? Public record.

14 MR. DAVID CORMIE: That's correct.

15 MR. JOHN LANDRY: I also understand, Mr.
16 Wiens, that Mr. Cormie did not do the calculation to get
17 the five point five-three (5.53) cents, that in fact it
18 was -- it was you, Mr. Wiens that did the five point
19 five-three (5.53) cents. And as I understood the
20 evidence yesterday that was taken from an internal report
21 that's prepared for management, presumably within Hydro.

22 A fair statement?

23 MR. ROBIN WIENS: That -- that's correct.

24 MR. JOHN LANDRY: Yeah. And -- and it
25 goes without saying, sir, those internal reports are not

1 part of this public record, correct?

2 MR. ROBIN WIENS: They are not.

3 MR. JOHN LANDRY: Yeah. So if I look at
4 it from that perspective, ignoring for the moment the un
5 -- or sorry, the redacted contracts that may have been
6 filed on the public record in the States, at least here
7 the only -- outside of this application -- information on
8 the public record would be what was filed with NEB.

9 Is that a fair statement?

10 MR. DAVID CORMIE: With regard to the
11 pricing, that I believe is the only location where
12 pricing information under the contracts can be implied.

13 MR. JOHN LANDRY: But I think if I had --
14 if I understood the evidence correctly yesterday, Mr.
15 Wiens, you can't use that information in order to
16 conclude that a five point five-three (5.53) number is
17 what comes out of all of the sales that you've made.

18 A fair statement?

19 MR. DAVID CORMIE: That's correct,
20 because the -- every megawatt hour of electricity that
21 flows over the -- the interconnection to the United
22 States has to be reported under a licence, but not all
23 licences for firm power. And you have to know which --
24 which of those licences are applicable in the calculation
25 of the five point five (5.5) cents.

1 MR. JOHN LANDRY: Mr. Wiens, would you
2 agree with me when -- with this statement that there is
3 no detailed analysis -- what I mean by detail, sales,
4 when they occurred, all of that type of thing -- on the
5 record as to how you came to the five point three (5.3) -
6 - five three (53) number?

7 A fair statement?

8 MR. ROBIN WIENS: That would be a
9 generally fair statement. I'm not sure what level of
10 detail you'd be looking for, but that's not currently on
11 the -- on the public record.

12 MR. JOHN LANDRY: Sir, if -- maybe we
13 could --

14 MR. DAVID CORMIE: Mr. Landry, --

15 MR. JOHN LANDRY: -- go to the --

16 MR. DAVID CORMIE: -- if -- if you were
17 to know which contracts -- which licences to look at you
18 could come very, very close to the five point three
19 (5.3).

20 MR. JOHN LANDRY: Sir, I'm not coming --
21 I'm -- I don't -- I'm not here to come very, very close.
22 I'm here to determine whether or not there is fairness in
23 the rate that's being prepared. So those -- those are
24 where my questions are going.

25 Mr. Wiens, if you could go to Tab 8 of Mr.

1 Peters' book of documents, Mr. Wiens.

2 MR. ROBIN WIENS: Yes.

3 MR. JOHN LANDRY: Sir, in -- in the
4 second page of that tab it -- it's my understanding and
5 please, sir, correct me if I'm wrong because I've had a
6 hard time keeping up with all the evidence in this -- in
7 this Hearing.

8 But it's my understanding that that amount
9 of detail is the only detail we have outside of the NEB
10 information. Is that a fair statement?

11 MR. ROBIN WIENS: Yes.

12 MR. JOHN LANDRY: Now if we go to page
13 8.4 in that same tab of Mr. Peter's book of documents.
14 By the way, Mr. Peters, does that have an exhibit number?

15 MR. BOB PETERS: Mr. Chairman, the book
16 of documents prepared on behalf of the PUB counsel was
17 marked as PUB Exhibit 8 and --

18 MR. JOHN LANDRY: Thank you.

19 MR. BOB PETERS: Yes, you're welcome.

20

21 CONTINUED BY MR. JOHN LANDRY:

22 MR. JOHN LANDRY: So if we go to Exhibit
23 8, Tab 8 and page -- up in the upper right-hand corner
24 8/4, do you see that, Mr. Wiens?

25 MR. ROBIN WIENS: Yes.

1 MR. JOHN LANDRY: And I -- I guess I'm
2 really not sure what this table is completely telling me
3 but what -- what I would like to know in relation to
4 what's the information we have in here about what is in
5 and not in the rate; that's where I'm trying to -- trying
6 to understand. Okay? Just so you know where I'm going.
7 Okay?

8 MR. ROBIN WIENS: Yes.

9 MR. JOHN LANDRY: And you've indicated
10 here notwithstanding that it says, "Dependable energy
11 sales" up in the left-hand corner of the first column
12 that the -- the number down on the -- on the far right of
13 that first section of 54.16 it's not the correct number
14 to be used, correct, it's 5.53?

15 MR. ROBIN WIENS: 5.53 is -- is the rate
16 that was requested in the Application.

17 MR. JOHN LANDRY: Yes. And -- and as I
18 understand it, sir, there -- there's a bunch of things
19 that -- that they say -- that have been taken off
20 relative to the original response and that is timing
21 differences, exclusion of merchant and hedging and
22 adjustments due to contracts for difference. Do you see
23 that?

24 MR. ROBIN WIENS: I do.

25 MR. JOHN LANDRY: So these were

1 adjustments that were taken off of the original number
2 derived effectively at 54.16.

3 MR. ROBIN WIENS: I -- yeah, that's
4 correct.

5 MR. JOHN LANDRY: Okay. Sir, can you --
6 can you tell me since it was done here for the purposes
7 of this, can you tell me whether or not these three (3)
8 different categories were taken off of the -- of the
9 calculation that you did which ultimately arri -- sorry,
10 arrived at 5.53?

11 MR. ROBIN WIENS: At the time that was
12 prepared, Mr. Landry, I was looking at the internal
13 documents. I was not aware anywhere at that time that
14 there were any differences.

15 These subsequently came to light as we
16 were preparing responses to Information Requests.

17 MR. JOHN LANDRY: And I -- and, Mr.
18 Wiens, I know -- I understand that type of process. I'm
19 just trying to figure out what the right number is and
20 what's in and what's out.

21 My question is: Does the 5.53 number that
22 you've proposed to the Board for approval, does it
23 include timing differences, exclusion of merchant and
24 trading and adjustments to contracts for difference?

25 Or has it already had it excluded out?

1 MR. DAVID CORMIE: The 5.53 hasn't been
2 adjusted for those reasons. They are -- they're all in
3 that number.

4 MR. JOHN LANDRY: Okay. So if we
5 adjusted it for those reasons, sir, would it be -- would
6 it be accurate to say that the number you would come to
7 is 4.16? Sorry, 5. -- that's -- my eyes aren't very good
8 these days. But 5 -- sorry, 54.16, is that or 4 -- 4 --
9 five point four one six (5.416) cents?

10 MR. DAVID CORMIE: Yes.

11 MR. JOHN LANDRY: So is it Manitoba's
12 Hydro -- or sorry, Manitoba Hydro's intention to adjust
13 its application and ask for a five point four one six
14 (5.416) cent market rate?

15 MR. VINCE WARDEN: No, no. Our
16 Application is fifty-five twenty-seven (55.27) -- fifty-
17 five dollars and twenty-seven cents.(\$55.27).

18 There -- there is an undertaking that will
19 explain those differences. But essentially, as I
20 mentioned earlier, there was a foreign exchange, foreign
21 currency adjustment that was processed into the financial
22 statements that are not reflected in the Schedule 8.4
23 that we were referring to.

24 So the correct number is five five two
25 seven (5527).

1 MR. JOHN LANDRY: Sir, I guess the
2 question -- I'm -- I'm confused and it's probably me, so
3 in five point five three (5.53), are you including in
4 that merchant and hedging?

5 MR. DAVID CORMIE: There isn't -- there
6 are no merchant transactions in that number.

7 MR. JOHN LANDRY: In the five point five
8 three (5.53)?

9 MR. DAVID CORMIE: That's correct.

10 MR. JOHN LANDRY: Are there any other
11 adjustments, other than what we've been talking about
12 here, that are in the five point five three (5.53)
13 numbers?

14 MR. VINCE WARDEN: No. There -- there's
15 the foreign currency adjustment that I referenced. And
16 there are some slight timing differences that will be
17 explained in the -- in the undertaking that we will be
18 providing later -- probably later today.

19 MR. JOHN LANDRY: There was a -- there
20 was a -- Mr. Warden, I'm not sure you can answer this so
21 please feel free to pass it down to the end of the line,
22 but there was a discussion yesterday about something to
23 do with insurance. Is that transmission insurance, which
24 sounds like a positive benefit at the end of the day, is
25 that in or not in the five point five three (5.53)?

1 MR. VINCE WARDEN: Not in.

2 MR. JOHN LANDRY: So the benefits that
3 you get off of your firm average sales by buying
4 insurance is not included into the rate?

5 MR. DAVID CORMIE: I have to speak to
6 that for a moment, Mr. Landry. When I was testifying
7 yesterday, speaking of the hedging activity, I was
8 mistaken in thinking that the hedging was hedging against
9 transmission congestion, and I was advised that the
10 hedging was the foreign exchange and -- and -- and that
11 was to be part of our submission this afternoon, the
12 clarification of that.

13 The purchase of the insurance is -- occurs
14 on the opportunity sales and it's not a part of the -- of
15 the revenues associated with dependable energy sales.

16 MR. JOHN LANDRY: Mr. Wiens, would you at
17 least agree with this: That this is a type of problem
18 that exists when you can't disclose all of the
19 information?

20

21 (BRIEF PAUSE)

22

23 MR. VINCE WARDEN: Mr. Landry, the
24 purpose of choosing the two (2) fiscal -- immediately two
25 (2) fiscal years for -- for determining the marginal cost

1 rate was for that very reasons, for transparency. And
2 quite frankly, we didn't expect it to be a big issue,
3 because we have export sales, and we have certain volumes
4 of export sales and it's a simple mathematical
5 calculation to divide -- to derive a rate.

6 So you look at -- you can look at our
7 published financial report. You can calculate -- you
8 know what is our extraprovincial revenues are. You know
9 what the quantity of the energy delivered. Do you want -
10 - divide one (1) into the other and you derive a rate.
11 Now we take it one (1) step further and -- and split that
12 revenue into firm and opportunity sales. And we have,
13 for this purpose, used a firm rate which is -- is more
14 representative of the marginal cost rate that we're
15 trying to recover here.

16 It's -- I think anybody can -- for -- from
17 just the process I just described, satisfy themselves as
18 to the reasonableness of that rate. If it was determined
19 though that we would need to drill down a level further
20 between the split between opportunity and firm, we could
21 certainly have that audited. I mean, that's -- it's not
22 a -- not a big -- it's not a secretive number.

23 We can't -- we don't want to put the
24 individual contracts onto the record but nevertheless,
25 the -- the split between a firm and opportunity sales is

1 relatively easy to derive. But as I mentioned, we didn't
2 expect that to be a significant issue at this proceeding.
3 The objective is to make this as transparent as possible.

4 MR. JOHN LANDRY: Sir, let me just
5 respond to that with this: Are you saying that your
6 customers, the two (2) or three (3) customers, good
7 customers, that you're asking to pay this rate, you're
8 saying that you believe that by not disclosing the very
9 contracts that ultimately resolve the issue of what the
10 number is, that they should just trust you that you're
11 reading them right?

12 MR. VINCE WARDEN: Not at all. Not at
13 all. That's why we're here. The Public Utilities Board
14 can make a determination whether or not the information
15 we've provided is sufficient for them to make a
16 determination of what that rate should be.

17 MR. JOHN LANDRY: Sir, you're using
18 contracts and pricing in the contract, and there are
19 numerous contracts, complicated contracts, where I
20 presume Manitoba Hydro negotiated hard, but so did the
21 other side negotiated hard -- negotiates hard, and you're
22 not willing to disclose those to the customers to
23 scrutinize a number you say is the market rate.

24 A fair statement?

25 MR. VINCE WARDEN: Correct.

1 MR. JOHN LANDRY: Now, Mr. Wiens, I want
2 to talk a little bit about what the definition that we're
3 talking about here, in terms of firm sales. As I
4 understand it, and please correct me if I'm wrong, you're
5 not only talking about dependable sales, i.e., looking at
6 Manitoba or Manitoba Hydro's generation capability, it
7 also includes dependable sales which, in effect, arise
8 out of your ability to import product.

9 Is that a fair statement?

10 MR. ROBIN WIENS: I'm going to have to
11 ask that another member of the panel take that question.

12 MR. JOHN LANDRY: That -- that's fair,
13 sir.

14 MR. DAVID CORMIE: Dependable energy
15 sales, those that are made to Manitoba customers and to
16 long-term export sales -- or long-term export customers
17 are made out of Manitoba Hydro's dependable energy
18 resources, and that includes dependable energy hydro,
19 thermal, and imports. And that creates a pool of
20 dependable energy, out of which all dependable energy
21 sales occur.

22 And -- and I -- and so the -- the exports
23 customers enjoy the benefit of Manitoba Hydro's ability
24 to purchase energy under dependable energy conditions, as
25 well as the domestic dependable energy customers.

1 MR. JOHN LANDRY: I'm not sure, sir, but
2 I think your answer to my question was yes.

3 Is that a fair...?

4 MR. DAVID CORMIE: Yes.

5 MR. JOHN LANDRY: Thank you. And could I
6 -- could I assume, sir, that -- and -- and again, please
7 don't -- do not take this as a criticism of Manitoba
8 Hydro, in terms of the commercial sensitivity -- but
9 you're not -- you're not willing to disclose the
10 contracts that allow you to import the product into --
11 into Manitoba?

12

13 (BRIEF PAUSE)

14

15 MR. DAVID CORMIE: The specific contracts
16 that give us that capability are -- are confidential.

17 MR. JOHN LANDRY: We had a debate amongst
18 us so I'm probably going to find out that I was wrong in
19 this, but let me just say that, yesterday when I heard
20 the evidence, Mr. Cormie, I understood that firm sales,
21 the definition of firm sales also included firm non-
22 dependable resource sales.

23 Am I correct in that?

24 MR. DAVID CORMIE: Yes. A -- we can
25 enter into a firm sale, and generally it's in a very

1 short term, that comes out of the opportunity resources,
2 as opposed to the dependable resources.

3 MR. JOHN LANDRY: And -- and, sir, could
4 you explain that? And I guess I'd like to know why you
5 feel it's appropriate in the circumstances to include
6 that in, given your -- given Manitoba Hydro, seems to be,
7 fairly strict rule that it has to be firm, dependable
8 resources?

9 MR. DAVID CORMIE: Firm sales don't have
10 to come out of dependable resources. You can enter into
11 a firm sale in the short term because we -- for example,
12 we may have the water in reservoir storage. There is not
13 risk that we won't have the supply of energy needed, so
14 the -- so that for the next month or the next season
15 there is no water risk associated with making that sale.
16 So we can commit to that on a firm basis.

17 Although it may not be firm next year, it
18 is firm for the current year. So you can enter into a
19 short term firm sale out of opportunity resources, which
20 is different than a long term firm sale out of dependable
21 resources.

22 MR. JOHN LANDRY: And in every case that
23 that happens, are you saying, sir, that if an industrial
24 load redu -- or sorry increases its load by 1 kilowatt
25 hour that you're going to lose every one of those sales?

1 MR. DAVID CORMIE: We are -- we are
2 saying that a change in the industrial load which is a --
3 which was a -- which is a -- that is being served out of
4 the dependable resource, reduces the amount of energy
5 that's available for sale on the export market from the
6 dependable resource. They're the two (2) portfolio -- the
7 two (2) pools are separate.

8 MR. JOHN LANDRY: I understand that.
9 But, sir, you're telling this Board that they should
10 accept a rate that includes firm sales from non-
11 dependable resource sale -- resource part, right? And --
12 and you've explained that and I understand that.

13 But I want to stay in that box for a
14 moment, okay? And -- and my question to you is, for
15 every kilowatt hour of increased load of industrial --
16 let's stay with industrials since that seems to be the
17 targeted group -- for every sale -- every sale of
18 kilowatt hour in the industrial group, that would mean
19 that you would have one (1) less of these type of sales
20 in this box, in every occasion?

21 MR. DAVID CORMIE: Well there -- there
22 will be one (1) less megawatt hour of energy available
23 for -- of -- for export sale. If it's not sold as an
24 opportunity trans -- if it's not sold as a -- out of the
25 dependable book it will be sold out of the -- it'll have

1 an affect on the opportunity book.

2 MR. JOHN LANDRY: Just one (1) moment.
3 Sir, just so we have it clear for the record and -- and
4 to at least give us some idea where you're getting all of
5 these numbers and everything, if you could go back to Tab
6 8 of Exhibit 8 -- or PUB Exhibit 8, which is Mr. Peters'
7 book, that's -- that's what we've been calling it.

8 MR. DAVID CORMIE: Yes, I have that.

9 MR. JOHN LANDRY: And if you go to 8.2 or
10 sorry, 8-2 and 8-4 is where I'm going to go, sir. And
11 I'm just trying to figure out where those sales are that
12 we just talked about. And if I go to page 8. -- or -2,
13 are those sales that we just talked about -- sorry, which
14 are sales from firm non-dependable resource, are they in
15 the firm export sales or opportunity export sales, in
16 page 8-2?

17 MR. DAVID CORMIE: The confusion that I
18 believe is occurring here is the title. It says "Firm
19 Export Sales" in that first box in the -- in the left-
20 hand column. And that is -- those are dependable export
21 sales in -- in that there are no short-term firm sales in
22 that -- in that category.

23 The opportunity sales, the group that's
24 shown in the middle of that table, can include short term
25 firm sales.

1 MR. JOHN LANDRY: But -- but if I
2 understand that correctly, sir, Mr. Wiens just told me
3 that the five point five three (5.53) came from the first
4 group and you're telling that some of these sales are
5 actually in the second group, so which is it?

6 MR. DAVID CORMIE: No, that's -- that's
7 not correct. There are no -- the -- in the -- in the
8 first group which is labelled as "Firm Export Sales,"
9 those are all long term dependable sales consistent with
10 what's on Tab -- on page 8.4 of that -- of that same
11 handout.

12 MR. JOHN LANDRY: Okay. But that's not
13 my question, sir, and I apologize if I wasn't being
14 clear. Let's just take that first box. And maybe, Mr.
15 Wiens, I'll ask you the question and we can hand it back
16 to Mr. Cormie.

17 Is the first box, and the numbers in the
18 first box, what was utilized to come to the number five
19 point five three (5.53) on page 8-2.

20 And I mean first -- first box so that the
21 record's clear, I'm talking firm export sales.

22 MR. ROBIN WIENS: Yes.

23 MR. JOHN LANDRY: Okay. Back to you now,
24 Mr. Cormie. I understood your answer to say, in my
25 earlier -- and maybe I've got it wrong again, that there

1 were firm sales also included from firm non-dependable
2 resources. And you're telling -- what I understood just
3 so you know where I'm going, I understood you just said a
4 couple of minutes ago, that no, there are some of those
5 type of sales that are in the second block called
6 "Opportunity Export Sales".

7

8

(BRIEF PAUSE)

9

10 MR. DAVID CORMIE: The only sales that
11 are in the dependable -- or the long-term firm sales box
12 are long-term firm sales. There are -- there can --
13 there can be short-term firm sales in the opportunity
14 sales export box, but they do not come out.

15 There are -- there are no sales in the
16 opportunity export sales that come out of the dependable
17 energy portfolio.

18 MR. JOHN LANDRY: So in a calculation of
19 five point five-three (5.53) are we taking into account
20 or not, Mr. Wiens, firm sales out of non-dependable
21 resources?

22 MR. ROBIN WIENS: No, we're not.

23 MR. DAVID CORMIE: And I agree with that.

24 MR. JOHN LANDRY: So I guess what I need
25 -- if -- if the panel could indulge me, and maybe Mr.

1 Warden is the right person to ask, what I -- what I would
2 really like to have, sir, is what is your definition,
3 okay, that we can put on the record of "firm sales" that
4 make up your market rate that you're intending to ask
5 this Board to charge the industrial rate.

6 And -- and if you can do that now that's
7 great, if not and you want to take an under --
8 undertaking I'm find with that, too.

9 MR. VINCE WARDEN: Well, Mr. Landry, I
10 think Mr. Cormie has just clarified that. That the
11 definition that we've used for purposes of calculating
12 the five point five-three (5.53) is long-term dependable
13 sales.

14 MR. JOHN LANDRY: Sir, you know, I -- I
15 understand what I'm hearing, but I'm -- I'm having great
16 difficulty, and it's probably me, so correct me. But if
17 I understand -- understood what I heard from Mr. Cormie
18 yesterday, if we go to page 8.4, I look at the first -- I
19 guess it's in the first column, first subheading. It
20 says: "Dependable energy sales."

21 And what I heard -- I thought I heard from
22 Mr. Cormie was that dependable energy sales there
23 includes some opportunity sales just made out of a
24 dependable -- und -- under a long-term firm contract. So
25 I'm -- I'm confused.

1 Do you keep using depend -- it's --
2 dependable is used here. You've used it in the way you
3 have. And what I'd like to know is what is the
4 definition that we're talking about when you use
5 "dependable"?

6 MR. VINCE WARDEN: Well, if it would be
7 helpful, well, we will take an undertaking and -- and put
8 something definitive on the record.

9 MR. JOHN LANDRY: Thank you, sir.

10

11 --- UNDERTAKING NO. 10: Manitoba Hydro to provide the
12 definition of "dependable"
13 when used

14

15 CONTINUED BY MR. JOHN LANDRY:

16 MR. JOHN LANDRY: Sir, I just --

17 MR. ROBERT MAYER: Mr. Cormie, if I could
18 just -- just clarify something here. I thought I heard
19 you say yesterday that in your long-term dependable
20 sales, and under your long-term dependable contracts,
21 there is a clause in that contract that permits the --
22 the other contractee to exercise opportunity purchases
23 from Manitoba Hydro at the market rate at the time?

24 So there are some opportunity sales that
25 arise out of and under long-term dependable contracts?

1 MR. DAVID CORMIE: That -- that's
2 correct, Mr. Mayer. The -- the customer's purchasing
3 capacity and energy. He has the right -- or the customer
4 has the right to the capacity at all times. The contract
5 requires the customer to purchase a minimum amount of
6 energy at the contract price.

7 But the customer at Manitoba Hydro's
8 discretion can choose run to run that capacity for a
9 longer period of time and -- and buy additional energy,
10 if it's available and at a -- at a price determined by
11 Manitoba Hydro. And -- and that optionality exists under
12 the contract.

13 And -- and those additional energy sales,
14 above the minimum that's required in the contract, make
15 up a portion of dependable energy -- of dependable energy
16 sales as shown in that table on page 8.4, and are
17 included in the -- in the prices and in answer to PUB/MH-
18 I14.

19 MR. ROBERT MAYER: So -- so in fact, the
20 confusion appears to be not that you've taken firm energy
21 sales and shoved them in export but, in fact, you've got
22 -- or opportunity sales but there are, in fact, some
23 opportunity sales that are made, pursuant to the
24 provisions of the long-term firm contract and they are
25 included in that rate that you are applying for.

1 MR. DAVID CORMIE: That's correct.

2

3 CONTINUED BY MR. JOHN LANDRY:

4 MR. JOHN LANDRY: Thank you, Mr. Mayer,
5 but that's not what I thought I heard so I better go
6 further on this.

7 Let me -- let me -- let me -- let me just
8 try this again, Mr. Warden. I'll start with you and if
9 you have to put it to Mr. Cormie, please do so. And this
10 is the confusion that I'm having and I just -- I just
11 want a definition so that I can deal with it.

12 I understood what -- what -- that there
13 were no off -- what's the word? Sorry, opportunity
14 sales, whether it's on long-term firms, long-term firm
15 contracts or otherwise that were included in the five
16 point five three (5.53) calculation.

17 And I understood Mr. Cormie say -- to say
18 otherwise. Which -- could you tell me which way it is?
19 I'm not trying to trick anybody here. I'm just trying to
20 figure it out myself.

21 MR. VINCE WARDEN: Well, as Mr. Cormie
22 just explained and in response to Mr. Mayer's question,
23 the long-term contracts do have provision for opportunity
24 sales embedded in those contracts and when the counter
25 party takes advantage of that opportunity, such sales are

1 classified as firm, long-term firm, within the definition
2 of the long-term firm.

3 MR. JOHN LANDRY: Well, sorry, sir, I
4 didn't hear that and so let me go back to Mr. Cormie.

5 MR. VINCE WARDEN: But -- but you know,
6 we -- we do have an undertaking. We're going to make
7 sure it's perfectly clear in the undertaking that we --
8 we do respond to.

9 MR. JOHN LANDRY: Okay, just -- just so
10 that we don't go back onto the record and back on, I'm
11 going to give you what I understand and then you can
12 correct me when you come back on the record. Okay?

13 I understood everything you said up there
14 to the point in time where you said firm at the end. I
15 understood that the -- the opportunity sales made on
16 long-term firm contracts, okay, made -- were included in
17 the dependable energy sales but not as a firm sale.
18 That's what I understood.

19 First of all, Mr. Cormie, was -- am I
20 right in that?

21 MR. DAVID CORMIE: Yes, you're right. We
22 have no obligation to offer additional energy above the
23 minimum that's required in the contract. It's --
24 Manitoba Hydro has that option but that optionality
25 exists and when the customer exercises it, those energy

1 sales show up under this sales category.

2 MR. JOHN LANDRY: Right. And -- and as I
3 understood Mr. Wiens earlier, those sales, those
4 opportunity sales under the firm long-term contracts are
5 not included in the five point three (5.3) -- five three
6 (53) calculation.

7 Am I right?

8 MR. ROBIN WIENS: I've been following
9 this correctly and, no, you're not. Those sales are
10 included under the dependable energy sale rubric because
11 they're attached to that contract and they find their way
12 into that number that's calculated to the rate.

13 MR. JOHN LANDRY: Okay. And -- and, Mr.
14 --Mr. Wiens, I'm not -- as you know, I'm just trying to
15 get to the bottom of this so there is an undertaking on
16 the record. If you could just make sure that what you
17 just said, and I'm not suggesting that I know better, but
18 if you could just make sure that we're clear on that with
19 -- with your colleagues?

20 MR. ROBIN WIENS: We'll do that.

21 MR. JOHN LANDRY: Thank you. Just one
22 last thing before we break, if that's okay, Mr. Chair?

23 THE CHAIRPERSON: Yes.

24

25 CONTINUED BY MR. JOHN LANDRY:

1 MR. JOHN LANDRY: Yeah. Mr. -- Mr.
2 Warden, can I -- would you agree with me, sir, that
3 there's always been this problem, at least, you know,
4 since you started consulting with your -- with your
5 customers about what was going to be included in the rate
6 and what -- what was not going to be included in the
7 rate?

8 MR. VINCE WARDEN: I think it has been an
9 issue. We are -- our initial proposal was going to use a
10 forecast rate and, you know, there's some subjectivity to
11 that rate. There's some uncertainty about that rate. So
12 we -- we reverted back to something that was, we thought,
13 more transparent, but --

14 MR. JOHN LANDRY: Well, I'll be more --
15 I'll be more specific to you, sir. There's been an --
16 there has been some concern about the clarity of what is
17 a firm or non-firm contract or whether or not firm and
18 non-firm should be included in the rate. Would that be a
19 fair statement?

20 MR. VINCE WARDEN: That's fair.

21 MR. JOHN LANDRY: In fact, if you would
22 go, Mr. Warden, to MIPUG Exhibit Number 4, Tab 5, and
23 it's a transcript, sir, that's on the record from the
24 September meeting that you had with stakeholders, and in
25 there, if you would go to page, up in that right-hand,

1 upper right-hand corner, page 47, if you could start
2 there, it's like two (2) or three (3) pages in. Do you
3 have that?

4 MR. VINCE WARDEN: I have it.

5 MR. JOHN LANDRY: Yeah. And you'll see,
6 starting at line 6, Mr. Bowman asks this question, and I
7 quote:

8 "When you say the firm average price of
9 firm exports, is it all firm exports or
10 just sort of new negotiated firm
11 exports?"

12 And there was a question, and I won't read
13 the balance. I just want to go to what you said, Mr.
14 Warden, at the bottom of the page, and you said, and I
15 quote, starting at line 25:

16 "No, Patrick, you've raised a good
17 question, because the definition -- as
18 you know, we've had a discussion at the
19 PUB, the definition of firm exports is
20 open to interpretation. I think we are
21 going to have to be very clear about
22 what we are going to base that rate
23 on."

24 Do you see that, sir?

25 MR. VINCE WARDEN: I do.

1 MR. JOHN LANDRY: And you recall saying
2 that?

3 MR. VINCE WARDEN: I do.

4 MR. JOHN LANDRY: Now, if you could go to
5 page 68, sir, and which is, again, a couple pages long,
6 or a couple pages on, starting at line 9.

7 MR. VINCE WARDEN: Yes.

8 MR. JOHN LANDRY: And -- and again, it's
9 you speaking, sir, and I quote:

10 "You know, we are going to have -- have
11 a little more discussion on that.
12 Whether we use exclusively firm
13 contracts or whether we use an average
14 export rate, which would include some
15 of our day-to-day sales as well, it
16 might make a little bit more sense to
17 do it because that's the revenue that
18 we're forecasting by [or, sorry] --
19 foregoing by expansion. So the average
20 export rate might be more
21 representative to us than the firm.
22 We're going to have to come up with a
23 better definition than that."

24 So in those discussions that you were
25 having there was some great debate about what was to be

1 included and what was not to be included.

2 A fair statement?

3 MR. VINCE WARDEN: There -- there was
4 some discussion, yes.

5 MR. JOHN LANDRY: Yeah. And -- and it's
6 reflect -- and reflective about what you said in both of
7 those quotes, correct?

8 MR. VINCE WARDEN: Yes.

9 MR. JOHN LANDRY: Now, notwithstanding
10 the importance of that issue, sir, this concept of lack -
11 - lack of clarity, would you agree with me that, at least
12 in your application, there's no real clarity on what the
13 proxy is supposed to entail?

14 MR. VINCE WARDEN: We had not provided a
15 lot of detail supporting what makes up that -- that
16 definition of firm energy.

17 MR. JOHN LANDRY: And you knew, sir, that
18 it was going to be up to this Board to approve a market
19 rate for the first time and you decided not to put any
20 clarity in your definition of -- of that market rate.

21 Why was that, sir?

22 And if it would help everybody we could go
23 to the section in the application, which basically --
24 it's in Tab number 8 of Mr. Peters' book of documents,
25 and it's the extract from the application, sir. And if

1 you look at lines 7 through 9, this is the clarity that
2 we were looking for -- I -- I guess they were looking for
3 at the time. It said, open quotes:

4 "For -- for simplicity and transparency
5 the proxy to be used for marginal cost
6 is the average price of extraprovincial
7 sales during the previous two (2)
8 fiscal years, which is, in this
9 instance, is March 31st, 2008."

10 Would you agree with me, sir, that there
11 is no real clarity as to what should be included in the
12 price there?

13 MR. VINCE WARDEN: That could have been
14 clearer, yeah.

15 MR. JOHN LANDRY: In fact, sir, wouldn't
16 you agree with me that a normal reading of that which
17 suggests that it was going to be the price of all of your
18 -- all of your extraprovincial sales or extra -- yes,
19 extraprovincial sales?

20 MR. VINCE WARDEN: It does say average
21 price.

22 MR. JOHN LANDRY: Of all of your
23 extraprovincial sales. And -- you realize that's a --
24 one (1) reading of that, correct?

25 MR. VINCE WARDEN: Correct.

1 MR. JOHN LANDRY: On that note, Mr.
2 Chair, I can move on to another topic in a second in --
3 after the break.

4 THE CHAIRPERSON: very good, sir.

5
6 --- Upon recessing at 2:23 p.m.
7 --- Upon resuming at 2:49 p.m.

8
9 THE CHAIRPERSON: Okay, folks. We have
10 had distributed a new exhibit, Manitoba Hydro Number 9,
11 which relates to Manitoba Hydro Undertaking Number 1,
12 which, I believe, is being delivered around to the
13 various parties.

14
15 --- EXHIBIT NO. MH-9: Response to Undertaking 1

16
17 THE CHAIRPERSON: Another comment I just
18 wanted to make was, due to the road conditions and travel
19 arrangements, we are going to have to shut down today at
20 3:45.

21 So, Mr. Landry, I do not think that helps
22 you too much but anyway, forewarned is...

23 MR. JOHN LANDRY: Thank you, sir. You
24 may have to stop me, you may have to -- but --

25 THE CHAIRPERSON: Well, the way our mic

1 system is going you just may fade out.

2

3 CONTINUED BY MR. JOHN LANDRY:

4 MR. JOHN LANDRY: Okay. I guess Mr.
5 Wiens is where I would think that this should be thrown
6 to or Mr. Warden, I guess.

7 Sir, Mr. Wiens, I mean, at quite a basic
8 level, I guess it goes without saying, but the rates and
9 the prices that make up the -- sorry the rate, the five
10 point five-three (5.53) rate, and the prices and the
11 various contracts and sales that make up the five point
12 five-three (5.53) rate, at least the prices in there.

13 Those prices have never been approve by,
14 for example, The National Energy Board, correct?

15 MR. ROBIN WIENS: I can say they haven't
16 been approved by this Board.

17 MR. JOHN LANDRY: No, I said The National
18 Energy Board.

19 MR. DAVID CORMIE: Each of those sales
20 contracts falls under either the general permit, either -
21 - or the -- or requires a specific permit depending on
22 the length of the transaction. And so for transactions
23 that are less than five (5) years in duration, we're --
24 we can utilize our general permit because we already have
25 authority from the -- we already have the right from the

1 National Energy Board to use the general permit for those
2 sales.

3 For longer term transactions we have to
4 provide the information to the National Energy Board.
5 And there may or may not be a Hearing associated with a
6 specific contract. But at the end of the day the -- all
7 contracts are subject to the approval of the National
8 Energy Board.

9 MR. JOHN LANDRY: I -- I accept that,
10 sir, and -- and I assume that'd be the sim -- same for
11 all other utilities in Canada that exp -- export to the
12 United States; is that a fair statement?

13 MR. DAVID CORMIE: That's right.

14 MR. JOHN LANDRY: Yeah. But I guess what
15 I'm -- what I was trying to get at and I probably -- I
16 probably wasn't as articulate as I should have been, is
17 that nobody specifically approves and goes through into a
18 rigorous of the -- the prices that you or your
19 counterparts at Power Acts (phonetic) put -- put -- have
20 in your contracts; fair statement?

21

22 (BRIEF PAUSE)

23

24 MR. DAVID CORMIE: His -- historic --

25 MR. JOHN LANDRY: Well, maybe I can help

1 you there because maybe, again, I haven't been as clear.

2 It's not a rate review that they go
3 through similar to the type of rate reviews that we go
4 through before this Utility Board?

5 MR. DAVID CORMIE: The -- the National
6 Energy Board looks to determine whether the -- the energy
7 is surplus to Canadian needs and determines whether
8 Canadians have had fair market opportunity to purchase
9 the -- the product. And that's generally their -- the
10 scope of the -- of the review. But there may be other
11 criteria that I'm not familiar with.

12 MR. JOHN LANDRY: But they don't got
13 through a review process like we are now where there's a
14 rate proposed in a contract and they say we either
15 approve that rate or not, right, as I understand it, sir?

16 Is that a fair statement?

17 MR. DAVID CORMIE: I can't comment on
18 that. I don't -- I haven't been to a National Energy
19 Board Hearing.

20 MR. JOHN LANDRY: Sir -- Mr. Wiens, maybe
21 this is for you, I would think. And I guess it goes
22 without saying, but I'll ask it anyway.

23 Given that your proxy that you've taken --
24 talks about -- it's -- it's effectively a historical
25 proxy, if -- if -- would that be a fair statement?

1 MR. ROBIN WIENS: It's based on two (2)
2 years of actual historical experience.

3 MR. JOHN LANDRY: Right. So -- and I'm
4 not sure where this goes or doesn't go, but you'll at
5 least agree with me that there's nothing in the rate that
6 would take into account the economic circumstances that
7 are happening down in the United States, at this point in
8 time; fair statement? You didn't adjust it, I guess, is
9 my point?

10 MR. ROBIN WIENS: No, the cutoff date for
11 data that's included in that rate is March the 31st of
12 2008. So anything that may have happened since then is
13 not included.

14 MR. JOHN LANDRY: Okay. And -- and given
15 your stated intentions, sir, that -- that this rate is
16 intended to -- to be revenue neutral, would you -- would
17 you agree with this, sir, that -- that the industrials
18 that are going -- the two (2) or three (3) customers,
19 you're good Manitoba customers, that are going to have to
20 pay this rate, effectively by setting the rate as we are
21 going to set it, if that's what happens here, that
22 they're taking the risk that the average firm export
23 price will be lower until it's reset.

24 MR. ROBIN WIENS: That would be true. I
25 mean, if -- if it turns out that the average price goes

1 down over the next period, they are taking the risk.
2 Conversely, if it goes up, then I guess Manitoba Hydro's
3 taking the risk in -- in the context of your question.

4 MR. JOHN LANDRY: I appreciate that, sir,
5 but if you -- if you don't meet your revenue requirement
6 and you need rates changed, you can come back before this
7 Board and get your rate change, correct?

8 MR. ROBIN WIENS: That's true.

9 MR. JOHN LANDRY: Okay. And, sir --

10 MR. ROBIN WIENS: But we can -- we can
11 ask to have them changed.

12 MR. JOHN LANDRY: Ask, yes. Thank you.
13 That's a -- that's a more accurate statement, sir. Now
14 just on -- on the risk issue.

15 Would you also agree, sir, that the -- the
16 two (2) or three (3) customers that you are going to ask
17 to pay this rate, if it's approved, will be taking on in
18 the currency risk if, indeed, the currency issue turns
19 out to be more beneficial to Manitoba -- Manitoba Hydro
20 than occurred in 2007/2008?

21 MR. ROBIN WIENS: Well, you'll -- if you
22 define -- if you're defining "risk" as -- as variation
23 from the expected value, yes, they are.

24 If the -- I may not be doing the --
25 putting the correct signs on the arithmetic in my head

1 but if -- if the currency -- if -- if the currency
2 exchange rate were today what it is -- or -- or if
3 today's exchange rate were applied against the American
4 dollar data, then the numbers would be higher.

5 If today's exchange rate were applied
6 against the five point five (5.5), it would be up by
7 approximately 15 to 20 percent.

8 MR. JOHN LANDRY: Sir --

9 MR. ROBIN WIENS: So -- so the risk is
10 there --

11 MR. JOHN LANDRY: Sir --

12 MR. ROBIN WIENS: -- but it's -- it's not
13 necessarily a risk that is going necessarily against --
14 against the affected customer.

15 MR. JOHN LANDRY: Sir, I'm not -- I'm not
16 -- I'm not making any comment on that. I'm just -- I'm
17 just asking you to accept for me that they are the ones
18 that are taking on that part of the risk and that -- I
19 think -- I think your answer is yes.

20 Would you agree with that?

21 MR. ROBIN WIENS: Yes, and -- and the
22 variables can go either way.

23 MR. JOHN LANDRY: Yes, sir. And if
24 Manitoba Hydro doesn't meet its revenue requirements and
25 needs to come back into the -- to get a rate increase,

1 they have the capability to come back to this Board and
2 get a rate increase, correct?

3 MR. ROBIN WIENS: Yes.

4 MR. JOHN LANDRY: Now, sir, I want to
5 talk a little bit about the -- the so-called targeted
6 customers, if we could go there. Now, let's just start
7 from where we started back in the spring.

8 Originally, your proposal was to
9 effectively potentially affect, I think is the way we
10 sort of described it and you can use whichever word you
11 would like, was around forty (40) customers that might --
12 with the original proposals. That's a fair statement --
13 fair statement?

14 MR. ROBIN WIENS: It would have been in
15 that order, yes.

16 MR. JOHN LANDRY: Right. And now as I
17 understand it, sir, the impacts are significantly less.
18 You're talking about ten (10) possible customers.

19 MR. ROBIN WIENS: In terms of number of
20 customers, yes.

21 MR. JOHN LANDRY: Yeah. And but really,
22 when we get down and we take away all of the other
23 evidence, what you're really talking about now is three
24 (3) to four (4) customers, correct, that are going to be
25 impacted over the time frame -- say the first five (5)

1 years that we're talking about here?

2 MR. ROBIN WIENS: If our load forecast
3 bear out, that's correct.

4 MR. JOHN LANDRY: Yeah. I want to talk
5 first about the six (6) or seven (7) customers that could
6 be impacted, even though you're not forecasting that
7 impact at this point in time.

8 Sir, some of these customers come from the
9 primary metal customer group. Would you agree with that?

10 MR. ROBIN WIENS: Yes.

11 MR. JOHN LANDRY: Yeah. Now, sir, and as
12 I understood the evidence from Mr. Dudar, you met with
13 your customers and in the primary metals group, you were
14 able to sit down, roll up your sleeves and between DSMs
15 and the growth allowances, you effectively made sure that
16 the primary metal customers were not going to be -- based
17 on the present plans, were not going to be impacted over
18 the next five (5) years by -- to any material extent by
19 this -- by this proposal.

20 Fair statement?

21 MR. MICHAEL DUDAR: I used the primary
22 metals customers as a sounding board for concepts and
23 then used those concepts to examine impacts to other
24 customers.

25 MR. JOHN LANDRY: And the bottom line at

1 the end of that, sir, if I understood your evidence
2 yesterday, was that the primary metal producers, based on
3 what you understood to be their present plans, would not
4 be impacted by this rate and that's what I understood.

5 Is that correct?

6 MR. MICHAEL DUDAR: That's correct --

7 MR. JOHN LANDRY: Okay.

8 MR. MICHAEL DUDAR: -- depending on their
9 growth plans proceeding as -- as identified.

10 MR. JOHN LANDRY: But, sir, here --
11 here's the point and I want to be clear here.

12 If any of those customers, okay, are lucky
13 enough to find new ore or bring in new ore to process and
14 it takes them above the growth allowance, they will pay
15 under your proposal the higher rate. Correct?

16 MR. MICHAEL DUDAR: That's correct. And
17 those resources have been identified and have been
18 integrated into their development plans.

19 And -- and the -- processing of that ore,
20 the development of the new ore bodies form part of their
21 growth projections that they described in their
22 discussions.

23 MR. JOHN LANDRY: Sir, let me be very
24 clear. Outside of those, if they find new ore or new ore
25 is available to process that takes them outside the

1 growth allowance, they will pay the higher rate?

2 MR. MICHAEL DUDAR: Correct?

3 MR. JOHN LANDRY: Okay. And, sir, does
4 Manitoba Hydro believe - and maybe Mr. Warden's the right
5 person to answer - that it's in the public interest that
6 such a circumstance have them pay the higher rate?

7 MR. VINCE WARDEN: Well, the growth
8 allowance, as you know, does include a one (1) time step
9 increase of 10 percent. So that does allow a
10 considerable scope for growth.

11 I think we've, in structuring this rate,
12 we've certainly been aware of customer growth plans and
13 would try and accommodate to the extent we possibly can.

14 MR. JOHN LANDRY: Sir, that -- that
15 wasn't my question. My question is above that.

16 If growth happened -- if growth happened,
17 sir, is it Manitoba Hydro's position that it's in the
18 public interest that those primary metal producers pay
19 this higher rate. That's my question.

20 MR. VINCE WARDEN: Under the
21 circumstances, yes, we do believe that is appropriate and
22 fair.

23 MR. JOHN LANDRY: Okay. Now I want to go
24 from those into the ones that are immediately impacted
25 and -- and the customer groups that we all keep talking

1 about are the chemi -- as I understand it, the chemical
2 and the pipelines.

3 Is that a fair statement, Mr. Wiens?

4 MR. ROBIN WIENS: Yes.

5 MR. JOHN LANDRY: And so we're all not
6 dancing around the room talking in -- in generalities
7 when we don't have to, the chemical plant that -- or the
8 chemical company that is going to be impacted is Canexus,
9 right?

10 And if you're concerned at all, sir, about
11 answering a question of that, perhaps what you could do
12 is go to MIPUG-4, Tab 2 which is a letter to B -- or
13 Manitoba Hydro from Mr. Turner at Canexus who
14 specifically asked that I ask a question about this --
15 this -- this letter.

16 Do you see that letter?

17 MR. ROBIN WIENS: Yes.

18 MR. JOHN LANDRY: So can we -- can we at
19 least start from -- we -- we can talk names now instead
20 of hiding behind something?

21 MR. MICHAEL DUDAR: Sure, as long as
22 Bill's okay with it.

23 MR. JOHN LANDRY: That's fine, sir. It's
24 Canexus --

25 MS. PATTI RAMAGE: Excuse me. If I could

1 just have a moment to review this.

2 MR. JOHN LANDRY: Yes, of course.

3

4 (BRIEF PAUSE)

5

6 MR. ROBERT MAYER: Didn't I hear
7 something somewhere that some of these guys are going to
8 make a presentation at some point in these proceedings?

9 MR. JOHN LANDRY: They are, sir.

10

11 (BRIEF PAUSE)

12

13 MS. PATTI RAMAGE: Mr. Landry, I'm
14 wondering, and I'm not trying to be difficult, but you
15 have to understand from a -- a corporate perspective, we
16 don't -- we have a policy of not discussing specific
17 customer information without a customer authorization.

18 And while I am not doubting that the
19 customer has provided you with this letter or anything, I
20 don't have anything on record and I'm wondering if we
21 could move on to another topic and just get that
22 confirmation because it -- it just puts us in a difficult
23 position, perhaps not this time but the next time, if we
24 start relying on correspondence coming in from customers
25 where we don't have the customer authorization.

1 As I say, I'm not trying to be in any way
2 difficult but is it possible to move to another topic and
3 just get something so that we can remain consistent?

4 MR. JOHN LANDRY: Mr. Chair, I'm not
5 entirely clear why we -- why it's -- people sort of avoid
6 this. It's a pretty obvious thing, given the
7 presentations that were made before the Board before.

8 This is a letter from Canexus to Manitoba
9 Hydro. I don't think anybody in this room doubts that
10 the fifteen hundred (1,500) maximum was -- was in
11 relation to Canexus and I just want to ask some questions
12 about that.

13 MS. PATTI RAMAGE: I think Mr. Dudar just
14 solved my problem. His -- Mr. Turner called him last
15 night --

16 THE CHAIRPERSON: Okay, let's proceed.

17 MS. PATTI RAMAGE: -- to tell him about
18 this letter. So I think we're okay.

19 MR. JOHN LANDRY: Thank -- thank you.

20 MS. PATTI RAMAGE: And -- and I
21 apologize, Mr...I'm not trying to be difficult. It's
22 just that we have to be very careful.

23 MR. JOHN LANDRY: And -- and Ms. Ramage,
24 I do understand your concern but this one is so obvious
25 that it just...

1

2 CONTINUED BY MR. JOHN LANDRY:

3 MR. JOHN LANDRY: Let's, so that we -- we
4 set the -- the discussion, Mr. Dudar, let's be very
5 clear.

6 You said Manitoba Hydro set the 1,500
7 gigawatt hour maximum in order to catch Canexus, correct?

8 MR. MICHAEL DUDAR: We set the 1,500
9 gigawatt hour limit to minimize rate impacts on other
10 customers. In the absence of the cap, discussions with
11 Canexus, he -- he indicated that without the cap that he
12 thought this rate was workable for them. And I took that
13 to mean that they would continue to expand in the absence
14 of a cap.

15 The initial discussions I had with Mr.
16 Bowman, the -- the rate had morphed a few times since our
17 initial discussions but in our initial discussions the
18 cap was not there. And -- and when we sat down with Mr.
19 Turner to have a face-to-face discussion about the -- the
20 proposed rate at that particular time, the cap had been
21 added and he made comment of it.

22 MR. JOHN LANDRY: Sir, I'm going to ask
23 you one (1) more time, because it's a pretty simple
24 question, I think.

25 This cap was established to make sure that

1 Canexus was caught by the rate; a fair statement?

2 MR. MICHAEL DUDAR: This cap was designed
3 to ensure that we didn't have continued growth by our
4 largest customer --

5 MR. JOHN LANDRY: That's --

6 MR. MICHAEL DUDAR: -- constrained at --
7 at the heritage rates.

8 MR. JOHN LANDRY: Mr. Dudar, was there
9 anybody anywhere near that 1,500 gigawatt hour level,
10 besides Canexus?

11 MR. MICHAEL DUDAR: No.

12 MR. JOHN LANDRY: Now, sir, I just want
13 to talk about this letter before I start talking about
14 Canexus.

15 Can you tell me what this is all about,
16 what this is about, this -- this letter that appears to
17 be a quibbling by BC Hydro over some -- or, sorry,
18 Manitoba Hydro, over -- over Power Smart credits?

19 MR. MICHAEL DUDAR: As part of the rate
20 application, we have a provision to apply Power Smart or
21 energy efficiency credits to a customer's baseline energy
22 level, increasing the baseline to account for those
23 additional energy savings.

24 MR. JOHN LANDRY: Sir, I appreciate that,
25 but basically the way I read this letter is that Mr.

1 Turner is coming to Manitoba Hydro. And he's saying to
2 Manitoba Hydro I have a hundred and twenty-three (123)
3 hours of power -- or 123 gigawatt hours of Power Smart
4 credits. I paid for them. I put them in my plan. Could
5 I at least have those hundred and twenty-three (123)
6 hours and Manitoba Hydro said, no.

7 Is that a fair statement?

8 MR. MICHAEL DUDAR: That's correct.

9 MR. JOHN LANDRY: So everybody else in
10 the province, every other customer in the province, gets
11 a 3 percent gross allowance, gets to use their DSM
12 credits except for Canexus; fair statement?

13 MR. MICHAEL DUDAR: That's correct.

14 MR. JOHN LANDRY: Now, as I understand,
15 sir, the reason why you picked the 1,500 gigawatt hours
16 because you had some competitive concern between Canexus
17 and another company, correct?

18 MR. MICHAEL DUDAR: That was one (1) of
19 the issues, yeah.

20 MR. JOHN LANDRY: And you decided,
21 Manitoba Hydro decided, to effectively -- you didn't want
22 to alter a competitive situation; is that basically what
23 happened?

24 MR. MICHAEL DUDAR: We were looking for a
25 mechanism to deal with the -- the disparity in growth

1 allowance when you apply a percentage base growth
2 allowance to the customers, provide some upward cap. If
3 you look at -- if you consider the domestic rates as
4 being subsidized, we have one (1) customer in the
5 province that is getting a greater subsidy than just
6 about anybody else.

7 And I -- I'm not sure exactly what the
8 ratio was. When we were doing the first analysis we
9 looked at jobs per gigawatt hours; we looked at dollars
10 of subsidy per -- per gigawatt hour. And -- and there --
11 there was a huge differential between Canexus and every
12 other customer.

13 And -- and we -- we were looking to -- to
14 be fair. We were -- we were told at the first Hearing
15 that it's not Manitoba Hydro's responsibility to be
16 assessing which customers provide sufficient economic
17 benefits for -- for the province, and that it wasn't
18 Manitoba Hydro's role.

19 And -- and we took that to heart, and we
20 looked at another mechanism to achieve the same objective
21 and -- and each method has -- has some -- some positives
22 and some -- and some negatives. And Mr. Peters yesterday
23 talked about the difficulty that I had in going to meet
24 with customers.

25 And -- and in a sense, the most difficult

1 meeting that I had was my meeting with Bill. And
2 compared to the previous rate, all customers were -- were
3 better off. They all received something that they
4 wouldn't have received in -- in the first Hearing. The
5 one (1) thing that -- that Canexus did not get was a
6 mechanism to appeal.

7 And -- and I would have been much more
8 comfortable had I been able to -- to say to Bill, is --
9 this is what Hydro is proposing, and -- and you can go to
10 some appeal board and -- and plead your case before them.
11 And -- and whether it was the -- this public utility
12 Board, or the government, or somebody else the -- the
13 problem we had was we did not believe that it was
14 Manitoba Hydro's responsibility to be telling --
15 assigning duties and tasks to either this Board or -- or
16 the government.

17 MR. JOHN LANDRY: Sir, I'm not sure where
18 the answer to my question was in there, so I'll try
19 something again.

20 Sir, what you decided to do,
21 notwithstanding the fact that you decided you were going
22 to get out of economic exemption to gain, you decided in
23 this one (1) case to look at a competitive situation and
24 decide to adjust your rate on what you believed was going
25 to be an impact into that competitive situation; fair

1 statement?

2 MR. MICHAEL DUDAR: Correct.

3 MR. JOHN LANDRY: Yeah. And, sir, did --
4 how -- did you do you an -- an in-depth analysis of the
5 chemical industry to determine whether or not that was
6 even a competitive issue in that industry?

7 MR. MICHAEL DUDAR: We did not do a
8 competitive analysis. What we did look at is the way the
9 two (2) companies behave in the presence of similar
10 information and -- and it can be a function of risk
11 tolerance.

12 Both companies were planning expansions,
13 both companies were advised that -- that Manitoba Hydro
14 was proceeding with a rate that might result in their
15 incremental production costs being higher than -- than
16 they had been in the past.

17 Both companies took different actions.
18 One (1) company cancelled their planned expansion, the
19 other company proceeded. And while we're not experts in
20 the -- in the sodium chlorate industry, when you look at
21 something where the electricity cost is about 70 percent
22 of their total production costs, you can make some
23 judgments about what -- what they may -- when -- when
24 those companies' production would be at heritage rates.

25 And for the smaller customer with the 3

1 percent growth allowance, the 10 percent step and the 2
2 percent into the future, it -- it would take that
3 customer probably about twenty-seven (27) years for that
4 incremental production to be at heritage rates.

5 For the larger customer, it would take
6 them about three and half (3 1/2), four (4) years. And -
7 - and while I may not understand a lot about the sodium
8 chlorate industry, I -- I do understand that there's --
9 there's a difference in how those two (2) customers would
10 be treated.

11 And -- and all customers have the ability
12 to grow up to the 1,500 gigawatt hour limit. And -- and
13 it's true that there aren't any customers that are even
14 close to that.

15 But this is no different than the Hydro
16 Quebec 1,500 megawatt limit or the BC Hydro 150 MBA
17 limit, it's based on judgment and trying to balance the
18 impacts to other ratepayers and other customers and
19 providing some -- with some economic growth opportunities
20 for those customers.

21 MR. JOHN LANDRY: Mr. Dudar, I understand
22 and I -- and I've heard that Manitoba Hydro is a very top
23 notch supplier of electricity, okay?

24 But the question we're dealing with here
25 is you made a decision, you and your colleagues made a

1 decision, where you felt that you were going to set a cap
2 in order to make a -- a level playing field in a
3 competitive situation totally outside your realm.

4 Would you agree with that?

5 MR. MICHAEL DUDAR: We have the
6 obligation to serve but not necessarily at any price.

7 MR. JOHN LANDRY: Sir, let me ask you
8 this: You did it for this one, did you do it for any
9 other competitive situation?

10 MR. MICHAEL DUDAR: There was none other
11 that were identified.

12 MR. JOHN LANDRY: Sir, I hate to be
13 petty. But was it necessary for Manitoba Hydro to go so
14 far as to not allow them the 43 gigawatt hours in their
15 Power Smart credits in order to get this so-called
16 balance and fairness that you were looking for?

17 Was it necessary to do that?

18 MR. MICHAEL DUDAR: It may not have been
19 necessary, but at the end of the day if you allow growth
20 past the cap, there -- there had to be -- had to have
21 been some rationale. And -- and the -- the cap was set
22 to protect the other ratepayers.

23 MR. ROBERT MAYER: Has anybody checked
24 the addition?

25

1 CONTINUED BY MR. JOHN LANDRY:

2 MR. JOHN LANDRY: Whatever the number is,
3 I haven't checked the addition. It could be ten (10), it
4 could be fifteen (15) but Manitoba Hydro decided, in its
5 wisdom, that it wasn't going to give them that very small
6 amount.

7 Would that be a fair statement, Mr. Dudar?

8 MR. MICHAEL DUDAR: Mr. Wiens, advised me
9 that it was 80 gigawatt hours. But Manitoba used their
10 best judgment.

11 MR. JOHN LANDRY: Mr. Wiens, I'm going to
12 switch over to you, sir, because I want -- I want to
13 engage you and -- and I'm doing this in the spirit of --
14 of customers who are going to be impacted by this rate.
15 Okay, Mr. Wiens, just so you understand?

16 MR. ROBIN WIENS: Yes.

17 MR. JOHN LANDRY: You can understand why
18 some of these customers would be upset, can't you?

19 MR. ROBIN WIENS: Yes.

20 MR. JOHN LANDRY: Okay. And I'm going to
21 do it -- I'm going to engage you on the basis of -- of
22 fairness, okay, sir.

23 MR. ROBIN WIENS: Yes.

24 MR. JOHN LANDRY: Now, Canexus in one (1)
25 form or another has been a customer of Manitoba Hydro

1 since, I understand, the early 1960s; is that a fair
2 statement, sir?

3 MR. ROBIN WIENS: I think that's right.

4 MR. JOHN LANDRY: Right. And it's fair
5 to say, sir -- and I can go to documents that have been
6 filed in previous Hearings here, but they have invested
7 hundreds of millions of dollars into the Province of
8 Manitoba?

9 MR. ROBIN WIENS: I have no reason to
10 question that.

11 MR. JOHN LANDRY: Okay. And -- and would
12 you agree with this, sir, that during that timeframe they
13 paid hundreds of millions of dollars in electrical rates?

14 MR. ROBIN WIENS: That's also very likely
15 true.

16 MR. JOHN LANDRY: Okay. And throughout
17 that time period, sir, Canexus has been required by law
18 to buy from Manitoba Hydro, correct?

19 MR. ROBIN WIENS: Yes.

20 MR. JOHN LANDRY: And since you -- we'll
21 go to my twenty (20) year timeframe, back in the late
22 '90s -- early 1990s, they have done a number of very
23 significant expansions where they have invested in the
24 Province of Manitoba, correct?

25 MR. ROBIN WIENS: Yes.

1 MR. JOHN LANDRY: And they did that all
2 under the regulatory regime that it is in place, at least
3 up till today, which is in a -- that rates are to be set
4 on the basis of embedded costs, correct?

5 MR. ROBIN WIENS: For the most part
6 that's correct. I -- I think that we had given -- we had
7 indicated for at least two years now, probably a little
8 longer, that we were considering this step and that the
9 customer should bear that in mind.

10 MR. JOHN LANDRY: But -- but, Mr. Wiens,
11 that fundamental shift that we talked about in our --
12 your earlier answers to my questions hasn't occurred yet,
13 has it?

14 MR. ROBIN WIENS: It has not.

15 MR. JOHN LANDRY: Right.

16 MR. ROBIN WIENS: But we did put the
17 customers on notice of our intent to seek that.

18 MR. JOHN LANDRY: And, sir, there were
19 many -- a number of years during the timeframe that
20 Canexus has been a good customer of Mani -- a good
21 customer of Manitoba Hydro where the embedded cost rates
22 that they were paying were less than the export prices,
23 correct?

24 MR. ROBIN WIENS: That is correct.

25 MR. JOHN LANDRY: Yeah. Sorry, I want to

1 make sure I'm clear on the record because sometimes in
2 cross-examination I get the ups and the downs and
3 positives and negatives wrong, and so I think we're all -
4 - we're all -- maybe I'm the only one that falls to that
5 one. But, sir, let me try it again.

6 There were many -- there were -- they --
7 they have paid in the past, through the time they've been
8 here, embedded rates when embedded rates were higher than
9 the export prices, correct?

10 MR. ROBIN WIENS: Yes, they were higher
11 than the export prices.

12 MR. JOHN LANDRY: Right. And would you
13 agree with me, sir, that a customer such as Canexus, your
14 largest customer, that they have helped pay for the very
15 assets in their rates, in their embedded cost rates, the
16 very assets that Manitoba Hydro is now using to export to
17 the United States; is that a fair statement?

18 MR. ROBIN WIENS: Yes, that's a fair
19 statement.

20 MR. JOHN LANDRY: Yeah. And, sir,
21 another thing too is that Canexus and all the customers
22 in -- in Manitoba also paid for their share of the four
23 hundred thousand doll -- \$400 million or more that
24 Manitoba lost, I think it was in 2004, in the export
25 market; fair sha -- fair statement?

1 MR. ROBIN WIENS: Along with all of
2 Manitoba Hydro's other customers.

3 MR. JOHN LANDRY: I accept that comment,
4 sir. But they -- they shared in that.

5 MR. ROBIN WIENS: Yes.

6 MR. JOHN LANDRY: They shared in the
7 pain? So --

8 MR. ROBIN WIENS: They -- they paid rates
9 that were set by this Board, and those rates had to
10 include ultimately consideration of the \$400 million
11 loss. I'll leave it to others to characterize whether it
12 was painful or not.

13 MR. JOHN LANDRY: Was it painful for you,
14 sir?

15 MS. PATTI RAMAGE: That's not an
16 appropriate question.

17

18 CONTINUED BY MR. JOHN LANDRY:

19 MR. JOHN LANDRY: It's a -- it's an
20 entirely appropriate question. Was it painful for
21 Manitoba Hydro?

22 MS. PATTI RAMAGE: That was a different
23 question.

24

25 CONTINUED BY MR. JOHN LANDRY:

1 MR. JOHN LANDRY: Well, I think Mr. -- I
2 think -- I take your point. I apologize for that. I was
3 not -- I was not trying to personalize. And -- and
4 please don't take anything as a personalization here.
5 I'm talking about Manitoba Hydro.

6 MR. VINCE WARDEN: It was -- it was
7 difficult financially for Manitoba Hydro.

8 MR. JOHN LANDRY: Do you have a problem
9 with the word "painful"?

10 MR. VINCE WARDEN: Yeah, I -- I wouldn't
11 describe it as painful.

12 MR. JOHN LANDRY: Okay.

13 MR. VINCE WARDEN: It was difficult
14 financially.

15 MR. JOHN LANDRY: Sir, notwithstanding --
16 and back to Mr. Wiens again. When I say "you," sir,
17 please take it as Manitoba Hydro because I don't want to
18 personalize this.

19 But notwithstanding that they -- Canexus
20 is undertaking these very substantial investments in the
21 Province of -- of Manitoba under an embedded cost regime
22 and they paid their bills all the years for Manitoba
23 Hydro, including any extension requirements that had to
24 be made in the transmission system, Manitoba Hydro has
25 all of a sudden decided to change the rules on them.

1 Is that a fair statement?

2 MR. ROBIN WIENS: It's not all of a
3 sudden. Okay. I think -- I think we have been
4 discussing this for at least two (2) years and probably
5 three (3) years. So, you know, if you're speaking in a
6 context of -- of a forty (40) history, well, maybe that
7 is rather suddenly. But it's not -- it's not something
8 that was sprung on them and then was put in place
9 immediately.

10 MR. JOHN LANDRY: Sir, but even though
11 you're going to set a market rate for Canexus, the rate
12 that you set, if it's approved by this Board, Canexus is
13 not allowed to go to the market to test it, is it? Still
14 required to buy that electricity from you, correct?

15 MR. ROBIN WIENS: That's correct.

16 MR. JOHN LANDRY: Now, sir, in your --
17 again, in your view when I say in Manitoba Hydro's view,
18 do you say that it is in the public interest to single
19 out a customer that's been around for forty (40) years
20 and paid its electrical bills like Canexus.

21 Do -- do you say that's in the public
22 interest?

23

24

(BRIEF PAUSE)

25

1 MR. ROBERT MAYER: I'm correct, aren't I,
2 in assuming that -- that if they chose to do so, Canexus
3 could buy one (1) of Mr. Surmanski's combined cycle gas
4 turbines and produce their own power?

5 MR. ROBIN WIENS: I think it's open to a
6 customer to -- to produce power for themselves. They --
7 they do have that option.

8

9 CONTINUED BY MR. JOHN LANDRY:

10 MR. JOHN LANDRY: Do -- do you have an
11 answer for my question?

12 MR. ROBIN WIENS: Well, the -- the
13 question was: Is it in the public interest for Canexus
14 to pay the rate that's tied to the market?

15 MR. JOHN LANDRY: Well -- let me -- let
16 me be -- make sure that we're, you know, not at cross
17 purposes and sometimes I'm not articulate. I want to
18 make sure I get an answer to the question I would like to
19 -- to coin, sir.

20 What I'm saying to you is this: Does
21 Manitoba Hydro believe that singling out a good long-term
22 customer such as this that has invested this amount of
23 money into this Province and has played the game under
24 the rules that exist to this point and time, is in the
25 public interest?

1 the next drought happens in Manitoba - as it will
2 inevitably will for any of us that deal in hydro-based
3 systems - are you going to ask Canexus to share in the
4 pain that results from that drought from their export
5 pricing?

6 MR. VINCE WARDEN: We -- it's -- it's the
7 nature of a hydraulic (sic) system that we will have
8 drought. So we know we're going to have droughts and we
9 plan for those droughts. That's why we have been
10 striving for many years to achieve a -- a level of equity
11 that will be able to withstand those -- those occurrences
12 without rate increases.

13 So, no, we won't be inflicting pain on --
14 on Canexus or any other customer because we've been
15 gradually, over the years, building up a level of
16 retained earnings that will withstand a drought.

17 MR. JOHN LANDRY: Mr. Warden, are you
18 committing to this Board today, that if you suffer
19 another \$400 million loss in the export market, as a
20 result of a drought, that you will not come back to the
21 customers of Manitoba Hydro to pay for that?

22 MR. VINCE WARDEN: I'm committing to this
23 Board that we have a financial forecast that provides for
24 gradual rate increases each and every year of that
25 forecast, for that very reason, so we don't have to come

1 back to the Board with -- with our cap in hand, with a --
2 with a rate shock to customers. That's why we do this.

3 MR. JOHN LANDRY: Okay. Sir, I want to
4 be very clear. Are you committing to this Board that if
5 you suffer another \$400 million loss in the export
6 market, caused by a drought, no criticism of your
7 department intended, that you will not come back to this
8 Board and ask for a rate increase for that?

9 MR. VINCE WARDEN: We -- we have -- we
10 have an outstanding commitment to this Board to provide
11 information which will allow for a 4 percent rate
12 increase effective April the 1st of 2009. With that rate
13 increase and subsequent rate increases, close to the rate
14 of inflation, we won't. If a \$400 million drought or a
15 cost is incurred as a result of a drought, no, we won't
16 be back asking for additional rate increases. That's the
17 reason why we do have gradual rate increases planned.

18 MR. JOHN LANDRY: Sir, I thought my -- my
19 question's pretty clear: Are you committing to this
20 Board that if you suffer a \$400 million loss in the
21 export market, caused by a drought in the future, are you
22 committing to this Board you will not come back to the
23 customers of Manitoba Hydro to pay for that \$400 million
24 loss? It's a simple questions --

25 MR. VINCE WARDEN: Well, I'm not -- I'm

1 not -- I'm not authorized to make any such commitment, of
2 course, I'd be silly to do so. But I'm -- I'm explaining
3 to you how -- why we are asking for, in our financial
4 forecast, for rate increases that would avoid that
5 situation.

6 MR. JOHN LANDRY: If you come back to
7 this Board and ask for a rate increase, Mr. Wiens,
8 arising from that type of situation of a \$400 million
9 loss caused by a drought, is there any doubt but that
10 part of that will have to be picked up by Canexus?

11

12 (BRIEF PAUSE)

13

14 MR. ROBIN WIENS: Mr. Landry, our -- our
15 plan is to seek rate increases as set forth in our
16 Integrated Financial Forecast, and those rate increases
17 will affect anybody who pays embedded cost-based rates,
18 including Canexus, up to the -- up to the point at which
19 the second tier begins.

20 MR. JOHN LANDRY: Sir, I accept that.
21 But I think your answer is "yes" to my question, right?

22 MR. ROBIN WIENS: My answer is the same
23 as Mr. Warden's, that we have a planned schedule of rate
24 increases set forth so that we do not have to come back
25 and ask for an extraordinary rate increase due to the

1 occurrence of a drought at some point in the future.

2 MR. JOHN LANDRY: I'll leave that. I
3 think that the answer goes without saying.

4 I'd like to turn to another one of your
5 so-called long-standing good customers, Mr. Wiens, that
6 Manitoba Hydro is going to impact and it's Enbridge.

7 MR. ROBERT MAYER: Are we going to go
8 through this again?

9 MR. JOHN LANDRY: No, we're not, sir,
10 because what -- I'm going to ask some questions on
11 something that's already been filed in the GRA
12 previously.

13

14 CONTINUED BY MR. JOHN LANDRY:

15 MR. JOHN LANDRY: So if you go to -- or
16 MIPUG Exhibit Number 4, Tab 4.

17 You there, Mr. Wiens?

18 MR. ROBIN WIENS: Yes.

19 MR. JOHN LANDRY: Would you at least
20 agree with me that Enbridge is a long-standing good
21 customer of Manitoba Hydro?

22 MR. ROBIN WIENS: Yes.

23 MR. JOHN LANDRY: And, sir, if I
24 understand Mr. Fidel's (phonetic) -- I hope I have that
25 right, presentation that he came to Board...

1 Oh, first of all, yeah, Mr. Wiens, were
2 you here when he made his presentation?

3 MR. ROBIN WIENS: I was.

4 MR. JOHN LANDRY: And you heard his
5 presentation?

6 MR. ROBIN WIENS: I did.

7 MR. JOHN LANDRY: And you didn't take any
8 objection to anything he said in there?

9 MS. PATTI RAMAGE: Mr. Landry, Manitoba
10 Hydro isn't entitled to take objection to presentations.
11 We listen to them and that's the end of a presentation.
12 We don't look at them from that perspective.

13

14 CONTINUED BY MR. JOHN LANDRY:

15 MR. JOHN LANDRY: Sir, if you could go to
16 page 1 of that presentation, you'll see at the second
17 paragraph and this is a publicly announced on web sites
18 and whatever. We're talking about a significant pipeline
19 expansion that is going to impact in Manitoba.

20 Do you see that?

21

22 (BRIEF PAUSE)

23

24 MR. ROBIN WIENS: You're referring to the
25 second half of the last paragraph on that page?

1 MR. JOHN LANDRY: I am.

2 MR. ROBIN WIENS: Yes, I do.

3 MR. JOHN LANDRY: And you know that
4 that's a publicly announced expansion of a pipeline by
5 Enbridge, correct?

6 MR. ROBIN WIENS: Yes.

7 MR. JOHN LANDRY: And Enbridge, as it
8 says here, it's been in -- in business and a customer to
9 Manitoba Hydro for a lot of decades. Fair statement?

10 MR. ROBIN WIENS: Yes.

11 MR. JOHN LANDRY: Okay. And, sir, you'll
12 see if I can just make a point here that -- that the
13 Enbridge expansion that we're talking about here is one
14 that's going to be in effect, for all intents and
15 purposes, in the same right-of-way that they have for
16 another pipeline, correct?

17 MR. ROBIN WIENS: Yes.

18 MR. JOHN LANDRY: Right. And they're
19 going to be able to use and share existing pipeline
20 pumping station facilities, correct?

21 MR. ROBIN WIENS: Yes.

22 MR. JOHN LANDRY: Yeah. And it's this
23 type of an expansion, if it goes beyond the 3 percent
24 growth rate, that will subject Enbridge to the new rate,
25 correct?

1 MR. ROBIN WIENS: Yes.

2 MR. JOHN LANDRY: Now, sir, if you could
3 go to the next page, I want to talk a little about the
4 significant investments in the Province that your good
5 customer Enbridge has made.

6 First of all, obviously the -- any
7 investments that they've made over the years, I guess
8 we'll agree if we go back to twenty (20) years that you
9 and I've been talking about, would have been made under a
10 regulatory system that charged embedded-cost rates,
11 correct?

12 MR. ROBIN WIENS: Yes.

13 MR. JOHN LANDRY: And they, as your other
14 good industrial customers, have paid -- always paid their
15 rates, correct?

16 MR. ROBIN WIENS: Yes.

17 MR. JOHN LANDRY: Now, sir, the
18 representative of Enbridge emphasized some of the
19 economic benefits that they were providing to the
20 Province and if I could just take you to a couple of
21 them, sir, on the -- on that page 2, I'm not sure there
22 is a page number on it but at the second page.

23 And if you go to about -- about the middle
24 of the page where it starts:

25 "First of all, Enbridge ... "

1 Do you see that?

2 MR. ROBIN WIENS: Yes.

3 MR. JOHN LANDRY: And it basically says
4 there that they deliver a significant amount of gasoline
5 and diesel fuel and aviation fuel for Manitobans.

6 MR. ROBIN WIENS: Yes.

7 MR. JOHN LANDRY: And that's a very
8 important thing for the Province of Manitoba; would you
9 not agree?

10 MR. ROBIN WIENS: Yes.

11 MR. JOHN LANDRY: And, sir, then they go
12 down to another point that was made by the presenter. If
13 you go down to the bottom of the page it says:

14 "Secondly, Enbridge Pipeline
15 provides..."

16 Do you see that?

17 MR. ROBIN WIENS: Yes.

18 MR. JOHN LANDRY: And it says:

19 "Enbridge Pipeline provides Manitoba
20 oil producers with access to the US
21 market."

22 Now presumably the oil producers must, and
23 maybe you don't know this, but they must be able to get
24 market rates down in the United States.

25 Would you agree with that?

1 MR. ROBIN WIENS: They would get whatever
2 the market is paying at the time that it's delivered.

3 MR. JOHN LANDRY: Right. And Enbridge
4 provides that capacity to Manitobans, oil producers in
5 Manitoba?

6 MR. ROBIN WIENS: Yes.

7 MR. JOHN LANDRY: And it's very
8 significant, would you agree with that? They -- they
9 shipped approximately 12 billion barrels of Manitoba oil
10 into the US market.

11 MR. ROBIN WIENS: Twelve million, right?

12 MR. JOHN LANDRY: Twelve million, sorry.

13 MR. ROBIN WIENS: Yes.

14 MR. JOHN LANDRY: A value of \$500
15 million?

16 MS. PATTI RAMAGE: Excuse me, Mr.
17 Chairman. I'm concerned in terms of Mr. Wiens is being
18 asked to agree to what was in a presentation.

19 When presentations were made Manitoba
20 Hydro doesn't have the opportunity to cross-examine or
21 verify any of that information and now -- Mr. Wiens can
22 certainly agree that that's what this presentation said.

23 He -- there -- I -- I would just like to
24 clarify that Manitoba Hydro has no knowledge of the
25 accuracy of this information and it hasn't been tested in

1 front of this Board.

2 And I'm -- I'm wondering if, Mr. Landry, I
3 -- I'm not clear from your questions. Are you asking him
4 to confirm that's what it says on the page or that is
5 that actually accurate information?

6 THE CHAIRPERSON: I thinks it's a fair
7 caveat. I think Mr. Landry, however, may be partially,
8 and I'm just guessing, relying on the fact that Mr. Dudar
9 was indicating that he had spoken to and consulted with
10 all of the major clients.

11 But I leave it to Mr. Wiens to answer as
12 he wishes. Mr. Landry...?

13

14 CONTINUED BY MR. JOHN LANDRY:

15 MR. JOHN LANDRY: Mr. Wiens, maybe I can
16 -- maybe I can get around the problem. Do you -- do you
17 have any doubt, sir, in -- in -- in what -- what --
18 sorry, Enbridge said before this Board is true? Do you
19 have any doubt of that?

20 MR. ROBIN WIENS: Let -- let me say, I
21 have not independently verified it. I have no reason to
22 doubt it.

23 MR. JOHN LANDRY: Thank you, sir. Now,
24 we -- we -- this is -- we've gone around this point a
25 couple of times in the evidence, sir.

1 Enbridge is actually the company that
2 Manitoba Hydro went to and asked them to change their --
3 their pumping stations from diesel to electric. And if
4 you can -- if you'd like to just take a look at the
5 presentation, if you don't doubt what Mr. Fidel says,
6 it's on page 3.

7 MR. ROBIN WIENS: I -- I recall -- I
8 recall hearing that -- that statement, and -- and I
9 believe it's substantially correct, but it does say the
10 "Manitoba Government approached Enbridge."

11 MR. JOHN LANDRY: Oh, I see, okay. But
12 in any event, whoever approached, the -- the impact of
13 that is that somebody went to -- to Enbridge and said,
14 Would you mind turn -- changing your facilities to
15 electric facilities so that we could have some load on
16 our system; fair statement, fair -- fair, summary?

17 MR. ROBIN WIENS: I -- I think so. This
18 is back in 1965, and I think we just recently completed
19 some generation additions. I have no way of going back
20 and talking to people there about what the specifics of
21 those discussions were. But we'll take this. We'll
22 accept it.

23 MR. JOHN LANDRY: Yeah. Okay, I accept
24 that, sir, but I got the impression when one (1) question
25 went on yesterday that perhaps there was a little bit of

1 snickering in the sense that it was a long time ago.

2 Is it -- did you feel that way, that it's
3 too long ago to be relevant to what we're talking about
4 today?

5 MR. ROBIN WIENS: I -- I don't think it's
6 irrelevant to what we're talking about today. It -- it
7 was a long time ago and Enbridge has -- has had the
8 benefit of embedded-cost based rates for its pumping
9 station since that time.

10 MR. JOHN LANDRY: At the request at the
11 beginning of Manitoba Hydro or the government?

12 MR. ROBIN WIENS: At the request of the
13 government they switched their pumping stations.

14 MR. JOHN LANDRY: And, sir, I'll go
15 through the same thing with Enbridge, sir. Sir, I go
16 through the same thing with Enbridge.

17 Enbridge for all of these years paid
18 embedded- cost rates including during times where
19 embedded-cost rates were higher than export rates,
20 correct?

21 MR. ROBIN WIENS: That's correct, yeah.

22 MR. JOHN LANDRY: And Enbridge in paying
23 their embedded-cost rates actually contributed to the
24 very assets -- through those rates, to the very assets
25 that Manitoba Hydro wants to go out and -- and use for

1 the purposes of the export market, correct?

2 MR. VINCE WARDEN: I think it's important
3 to make the point that the vast majority of Manitoba
4 Hydro assets were financed by debt. So up until very
5 recently we've had -- our debt equity ratio's been in the
6 ninety (90) -- 90s range, which means 90 percent of those
7 assets were not financed by customers, but they were
8 financed by long-term borrowings.

9 MR. JOHN LANDRY: Sir, sir, are you
10 telling me that you don't put your -- your debt interest
11 costs into your rates?

12 MR. VINCE WARDEN: Well, sure, but I want
13 to make -- make it clear that it wasn't only the
14 customers that were contributing towards the -- the
15 financing of those assets.

16 MR. JOHN LANDRY: It wasn't only the
17 customers. Sir, you've -- as I understand it, embedded-
18 cost rates are based on your costs that are -- that you
19 have incurred, which include debt costs and that your
20 customers in their embedded cost rates pay for that.

21 Am I wrong?

22 MR. VINCE WARDEN: The customers pay for
23 the fin -- the financing -- the servicing costs of that
24 debt. The -- the major portion of those assets -- when
25 we go out and build Wuskwatim or any other generating

1 station, they'll be financed by debt and customers will
2 pay over time, over a very long time.

3 MR. JOHN LANDRY: Yeah. They'll pay over
4 a very long time, sir, but it's the customers who are
5 picking up the -- the debt costs in the rates, correct?

6 MR. VINCE WARDEN: I want to make sure
7 that we were clear that there is -- there's an element of
8 debt financing included in the financing of those assets.

9 MR. JOHN LANDRY: You -- you were not
10 trying to suggest that Enbridge did not pay -- pay their
11 fair share relative to a -- from -- from a cost-of-
12 service perspective in the debt costs that were used to -
13 - to finance those assets?

14 MR. VINCE WARDEN: Enbridge paid their
15 fair share of the financing costs associated with the
16 building of those assets, yes.

17 MR. MICHAEL DUDAR: I'll just make one
18 (1) -- one (1) other point with respect to --

19 MR. JOHN LANDRY: If I could -- if I
20 could just have a moment, please.

21

22 (BRIEF PAUSE)

23

24 MR. JOHN LANDRY: Mr. Chairman, those --
25 it's probably given that I understand that you want to --

1 you wanted to finish around quarter to 4:00 that would be
2 a good time to --

3 THE CHAIRPERSON: It is unfortunate, but
4 that is the --

5 MR. JOHN LANDRY: And that's fine.

6 THE CHAIRPERSON: -- the plane does not
7 wait for us. That is the only problem.

8 MR. JOHN LANDRY: Yeah.

9 THE CHAIRPERSON: Thank you very much,
10 sir. We look forward to seeing you all next Monday at
11 9:00 a.m. Thank you.

12 MR. JOHN LANDRY: Thank you.

13

14 (PANEL RETIRES)

15

16 --- Upon adjourning at 3:44 p.m.

17

18 Certified Correct,

19

20

21

22 Cheryl Lavigne, Ms.

23

24

25