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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 8th, 2008

Pages 1 to 257

APPEARANCES

1
2 Bob Peters) Board Counsel
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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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14 Beth Tait-Milne)
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3	RCM/TREE/MH-1-29	Resource Conservation Manitoba	
4		and Time to Respect Earth's	
5		Ecosystems' 1st round Information	
6		requests and Manitoba Hydro	
7		responses - Period of time the	
8		rates set in the proposed EIIR	
9		to be in effect	40
10	RCM/TREE/MH-1-30	Resource Conservation Manitoba	
11		and Time to Respect Earth's	
12		Ecosystems' 1st round Information	
13		requests and Manitoba Hydro	
14		responses - Effective date for the	
15		EIIR energy charge adjustment to	
16		reflect the average price of	
17		extra-provincial sales	40
18	RCM/TREE/MH-1-31	Resource Conservation Manitoba	
19		and Time to Respect Earth's	
20		Ecosystems' 1st round Information	
21		requests and Manitoba Hydro	
22		responses - Annual update the	
23		EIIR marginal rate	40
24			
25			

1	LIST OF EXHIBITS (cont'd)		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	RCM/TREE/MH-1-32	Resource Conservation Manitoba	
4		and Time to Respect Earth's	
5		Ecosystems' 1st round Information	
6		requests and Manitoba Hydro	
7		responses - Marginal cost lag.	40
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10	RCM/TREE/MIPUG-4-1 to 4-4		
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1	NO.	DESCRIPTION	PAGE NO.
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4		arrived at conclusions concerning	
5		whether they would extend new service	
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12		provide rationale as to why two (2)	
13		were afforded relief and others not	152
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1 --- Upon commencing at 9:08 a.m.

2

3 THE CHAIRPERSON: Okay. Good morning,
4 ladies and gentlemen. I was reflecting. I understand
5 the Buffalo Bills played Miami or something in Toronto
6 the other day, and it is too bad for the CFL that the
7 game was not played in Winnipeg.

8 Anyway, welcome to the Public Utility
9 Board hearing with respect to Manitoba Hydro's
10 application seeking this Board's approval of a new rate
11 for Energy Intensive Industries. In the three (3) days
12 available this week, and then three (3) days available
13 next week, the Board expects to hear from the parties, as
14 to the strengths and weaknesses of the new proposal by
15 Manitoba Hydro, as well as any recommended alternatives.

16 I am Graham Lane, Chairman of the Public
17 Utilities Board and I'm joined at this panel by Robert
18 Mayer, the Vice-Chairman of the Board, and Board Member,
19 Susan Proven

20 The Board is also assisted by its
21 Executive Director, Gerry Gaudreau and its advisors will
22 be introduced soon by Board counsel.

23 When the Board reviewed Manitoba Hydro's
24 electric Cost of Service Study methodology in 2006, a
25 concern was raised by Manitoba Hydro related to energy

1 consumption by energy intensive firms using energy as a
2 manufacturing input. While Manitoba Hydro indicated that
3 it was in dialogue with industry over the adequacy of
4 rates in this era and -- higher unit export prices, the
5 Board in Order 117/06 supported Manitoba Hydro's concern
6 and to -- directed the Utility establish a new industrial
7 rate class. One that would include new industrial heavy
8 energy using firms.

9 Also in Order 117/06, the Board suggested
10 that Manitoba Hydro develop its proposal taking into
11 account that existing industry came, remained and
12 expanded in Manitoba with certain assumptions as to
13 energy pricing and supply. A distinction between new and
14 existing industry was suggested as being reasonable.

15 When Manitoba Hydro filed its 2008 General
16 Rate Application, an energy intensive industry rate was
17 proposed where a marginal cost based rate would apply to
18 large energy consumers above a baseline level that was to
19 be tied to historic consumption levels. That General
20 Rate Application proposal included a single one (1) time
21 growth allowance of 39 gigawatt hours above historical
22 usage, and no load growth allowance for customers with
23 loads above 78 gigawatt hours per year.

24 The new proposal by Manitoba Hydro for an
25 energy intensive industry rate that is before the Board

1 today, proposes annual baseline growth of 3 percent for
2 the first five (5) years and then up to 2 percent
3 thereafter.

4 Manitoba Hydro's previous application for
5 an energy intensive energy rate allowed for gigawatt
6 hours -- for 39 gigawatt hours of consumption in the
7 first energy block for new customers. The application
8 for the Board today applies only to loads in excess of
9 100 gigawatt hours per year.

10 Perhaps we all recall that the previous
11 proposal for Manitoba Hydro contained provisions and a
12 process for exemption from the higher rate, if there were
13 demonstrated significant economic benefits to the
14 Province of Manitoba. The current proposal has no such
15 economic exemption criteria.

16 In the 2008 GRA, Manitoba Hydro
17 essentially withdrew its energy intensive industry rate
18 proposal and requested additional time to refine its
19 Application and file a new application. That new
20 application is now before the Board and contains the
21 provisions that I have previously summarized.

22 In its GRA Order 116/08, the Board set out
23 its comments, directions, and suggestions related to this
24 issue -- rate issue. Parties can find the extract from
25 Board Order 116/08 that discusses the energy intensive

1 industry rate in Tab 2 of Board counsel's book of
2 documents.

3 In the days ahead, the Board looks forward
4 to your assistance in its gaining a further understanding
5 as to how best to address the issue of embedded cost
6 rates being considerably lower than marginal costs and
7 the potential negative financial impact that can result
8 to the Utility and its domestic customers.

9 At this time I will ask Mr. Peters, Board
10 counsel, to provide his opening comments, the
11 introductions, and outline of the proposed procedures.

12 Mr. Peters...?

13 MR. BOB PETERS: Thank you and good
14 morning, Mr. Chairman, Mr. Vice-Chairman Mayer, Board
15 Member Proven, Ladies and Gentlemen. For the record my
16 name is Bob Peters and I am counsel to the Board with
17 respect to this energy intensive industry rate
18 application by Manitoba Hydro.

19 The Board is also assisted by Larry Buhr,
20 its engineering advisor seated to my right, and to my
21 left its accounting advisor, Roger Cathcart.

22 Mr. Chairman, you have summarized the
23 history of the issue that's before the Board today from
24 its surfacing at the Cost of Service Study methodology
25 review in 2006. And you've carried it through the 2008

1 GRA earlier this year and to the current application, so
2 I will not summarize any further.

3 I will indicate though, that the documents
4 that are to form the evidentiary base of this hearing
5 should be marked as exhibits, and I will take the liberty
6 on behalf of all parties to -- to mark those exhibits.
7 And I suggest they be marked as follows.

8 And for those who have not -- have not
9 printed off a copy of their exhibit list, we can arrange
10 to have one (1) provided at the first break.

11 In terms of Exhibit PUB Number 1, it would
12 be the Notice of Application, and the -- of -- of the
13 Application, as well as the public hearing.

14

15 --- EXHIBIT NO. PUB-1-1: Notice of Application and
16 Public Hearing

17

18 MR. BOB PETERS: PUB Exhibit 2 would be
19 the Rules of Practice and Procedure.

20

21 --- EXHIBIT NO. PUB 2: Rules of Practice and
22 Procedure

23

24 MR. BOB PETERS: PUB-3 will be the
25 timetable that was circulated to the parties, and I'll

1 speak to in a few minutes.

2

3 --- EXHIBIT NO. PUB-3: Timetable (draft)

4

5 MR. BOB PETERS: PUB Exhibit 4-1 through
6 4-27 I propose will be the Information Requests posed on
7 behalf of the Board of Manitoba Hydro, together with
8 Manitoba Hydro's answers.

9

10 --- EXHIBIT NO. PUB-4-1 THROUGH 4-27:

11 Information Requests posed on behalf of
12 the Board, with Manitoba Hydro's
13 answers

14

15 MR. BOB PETERS: Then in terms of PUB
16 Exhibit 5-1 through 5-9, I would suggest would be the
17 Information Requests posed and the answers provided by
18 Messrs. Bowman and McLaren, two (2) of the MIPUG
19 witnesses.

20

21 --- EXHIBIT NO. PUB-5-1 THROUGH 5-9:

22 Information Requests and answers
23 provided by Bowman and McLaren

24

25 MR. BOB PETERS: And then PUB Exhibit

1 6-1 through 6-11 would be the questions posed on behalf
2 of the Board, and answers provided by Mr. Ostergaard,
3 also on behalf of MIPUG.

4

5 --- EXHIBIT NO. PUB-6-1 THROUGH 6-11:

6 Questions posed by the Board, and
7 answers by Mr. Ostergaard

8

9 MR. BOB PETERS: PUB Exhibit 7-1 to 7-
10 11, I suggest would be the Information Requests posed and
11 the answers provided -- excuse me -- by RCM/TREE's
12 witnesses.

13

14 --- EXHIBIT NO. PUB-7-1 THROUGH 7-11:

15 Information Requests, and answers by
16 RCM/TREE's witnesses

17

18 MR. BOB PETERS: And Mr. Chairman, as
19 you mentioned, I have a book of documents that has been
20 circulated -- or attempted to be circulated anyway,
21 electronically, as well as in paper copy, and I suggest
22 that will be marked as PUB Exhibit 8.

23

24 --- EXHIBIT NO. PUB-8: Book of documents

25

1 MR. BOB PETERS: And turning through
2 to Manitoba Hydro's exhibits, and I'm sure Ms. Ramage may
3 have some comments, but I would propose that Hydro
4 Exhibit 1 would be the Application that brings us here
5 today.

6
7 --- EXHIBIT NO. MH-1: Letter dated September 30,
8 2008 from Manitoba Hydro to
9 the Board attaching
10 Application

11
12 MR. BOB PETERS: Manitoba Hydro
13 Exhibits 2-1 through 2-18 would be Manitoba Hydro's
14 Information Requests and the answers provided by Messrs.
15 Bowman and McLaren to those requests.

16
17 --- EXHIBIT NO. MH-2-1 THROUGH 2-18:
18 Information Requests and answers
19 provided by Bowman and McLaren

20
21 MR. BOB PETERS: Hydro Exhibit 3-1 and
22 3-2 would be Information Requests posed by Manitoba Hydro
23 and the response given by Mr. Chernick.

24
25 --- EXHIBIT NO. MH-3-1 THROUGH 3-2:

1 Information Requests by Manitoba Hydro
2 and response by Mr. Chernick

3

4 MR. BOB PETERS: Manitoba Hydro
5 Exhibit 4 could be reserved for the witness profiles that
6 have been circulated electronically, and also I believe
7 in paper copy.

8

9 --- EXHIBIT NO. MH-4: Witness profiles

10

11 MR. BOB PETERS: As for Exhibit 5, Mr.
12 Chairman, Manitoba Hydro provided parties electronically
13 with a copy of rebuttal evidence on Friday afternoon.
14 It's approximately twenty-nine (29) pages in length and
15 contains significant material that I think will welcome
16 other comments from other parties on, and it will also be
17 reviewed in this proceeding.

18

19 --- EXHIBIT NO. MH-5: Manitoba Hydro rebuttal
20 evidence

21

22 MR. BOB PETERS: And perhaps if I can
23 suggest through to Manitoba Hydro that Exhibit 6 would be
24 the Affidavit of Publication and Service that Manitoba
25 Hydro can file.

1 --- EXHIBIT NO. MH-6: Affidavit of Publication and
2 Service
3

4 MR. BOB PETERS: The Coalition
5 exhibits, I would propose Coalition Exhibit 1-1 through
6 1-8 would be the Information Requests posed and the
7 answers provided by Manitoba Hydro to the Information
8 Requests.
9

10 --- EXHIBIT NO. COALITION-1-1 THROUGH 1-8:
11 Information Requests and answers
12 provided by Manitoba Hydro
13

14 MR. BOB PETERS: MIPUG Exhibit 1-1
15 through 1-13 could be the Manitoba Industrial Power
16 User's Group Information Requests of Manitoba Hydro and
17 their responses.
18

19 --- EXHIBIT NO. MIPUG-1-1 THROUGH 1-13:
20 Manitoba Industrial Power User's Group
21 Information Requests of Manitoba Hydro
22 and responses
23

24 MR. BOB PETERS: MIPUG Exhibit 2 could
25 be the testimony of Messrs. Bowman and McLaren, with

1 MIPUG Exhibit 3 being the testimony of Peter Ostergaard.

2

3 --- EXHIBIT NO. MIPUG-2: Testimony - Patrick Bowman
4 and Andrew McLaren

5

6 --- EXHIBIT NO. MIPUG-3: Testimony - Peter Ostergaard

7

8 MR. BOB PETERS: MKO filed first round
9 Information Requests, and I propose that they be marked
10 as MKO Exhibits 1-1 through 1-5.

11

12 --- EXHIBIT NO. MKO-1-1 THROUGH 1-5:

13 Information Requests

14

15 MR. BOB PETERS: And then Resource
16 Conservation Manitoba and Time to Respect Earth's
17 Ecosystems filed Information Requests of Manitoba Hydro,
18 and I propose those be marked as Exhibit Manitoba Hydro 1
19 through Manitoba Hydro 1-32.

20

21 --- EXHIBIT NO. RCM/TREE/MH-1-1 THROUGH 1-32:

22 RCM/TREE's Information Requests of
23 Manitoba Hydro

24

25 MR. BOB PETERS: And then RCM/TREE

1 Exhibit 2 would be the CV of its intended witness, Mr.
2 Chernick.

3

4 --- EXHIBIT NO. RCM/TREE-2: P. Chernick - CV

5

6 MR. BOB PETERS: And RCM/TREE Exhibit
7 3 could be the testimony -- prefiled testimony of Mr.
8 Chernick.

9

10 --- EXHIBIT NO. RCM/TREE-3: Testimony - P. Chernick

11

12 MR. BOB PETERS: And then RCM/TREE
13 Exhibit 4-1 through 4-4 would be Information Requests
14 posed of MIPUG by RCM/TREE, together with MIPUG's
15 answers.

16

17 --- EXHIBIT NO. RCM/TREE-4-1 THROUGH 4-4:

18 Information Requests posed of MIPUG by
19 RCM Tree with MIPUG's answers

20

21 MR. BOB PETERS: Thank you for bearing
22 with me on that, Mr. Chairman. I would like to also turn
23 to the procedures that you've invited me to speak to, and
24 those again have been circulated electronically and paper
25 copies have been made available today.

1 You will note that opening comments are
2 suggested to come from, after myself, through the
3 Intervenor, who have I -- who have listed. And in
4 addition to that I've indicated that the Consumer's
5 Association of Canada, of Manitoba Inc., Manitoba Society
6 of Seniors, and Winnipeg Harvest, has again joined in one
7 (1) intervention. And for perhaps the lack of creativity
8 of their counsel, we call them the Coalition.

9 And in addition to Mr. Williams being
10 here today he is joined by Mr. Noah Fishman, who we
11 welcome to the proceedings. Manitoba Industrial Power
12 Users Group is represented by Mr. Landry, who is here,
13 and when he saw Mr. Gaudreau adjusting the clock he was
14 hoping it would be back to Vancouver time, but will bear
15 with us.

16 I also indicate that Manitoba
17 Keewatinook Ininew Okimowin is represented by Mr.
18 Anderson. I have, quite frankly, not been in touch with
19 Mr. Anderson in recent days, so we will monitor his
20 attendance and advise the Board as we able.

21 Resource Conservation Manitoba/Time to
22 Respect Earth's Ecosystems is again represented by Mr.
23 Gange. And this time Mr. Gange is joined by Ms. Tait-
24 Milne, who is seated with him at his table and I also
25 note that Professor Miller is -- is also with them again

1 today.

2 Mr. Chairman, since we are introducing
3 some new people to the Board, Manitoba Hydro Counsel,
4 familiar with Patti Ramage, but seated behind Ms. Ramage,
5 I believe directly behind in the back row, is Ms. Mayor
6 and we welcome her here as well, on behalf of Manitoba
7 Hydro.

8 Turning the page on the procedures, Mr.
9 Chairman, it is envisioned by some, hopefully most, maybe
10 even all, that Manitoba Hydro's witness panel will be on
11 for the three days this week and they will be led in
12 their direct examination this morning by their Counsel.
13 They will then be cross-examined, firstly by Board
14 Counsel, and then by Intervenors.

15 After we hear from the Manitoba Hydro
16 witness panel, Mr. Chernick will be here as a witness on
17 behalf of TREE. He is presently scheduled for Monday of
18 next week.

19 And following Mr. Chernick, we have a
20 witness panel on behalf of MIPUG. And the witness panel,
21 as I've indicated, will be Messrs. Bowman, McLaren, and
22 Ostergaard.

23 After, or sometime contemporaneous with
24 the MIPUG witness panel, there may also be presenters on
25 behalf of MIPUG. And I will ask Mr. Landry to keep us

1 current as to the intentions in that regard.

2 In terms of closing submission, Mr.
3 Chairman, you will note that I have indicated, certainly
4 tentatively, and tried to do it based on the best
5 availability and my best information, that after the
6 hearing of the evidence there would be an opportunity for
7 counsel to regroup and prepare closing submissions to be
8 heard by the Board, starting on January 20th, for both
9 Board Counsel and Intervenors, and then January 22nd for
10 Manitoba Hydro. If the Board has any concerns or changes
11 to that, please let me know and we will work with the
12 parties to make sure that it's scheduled to everyone's
13 availability.

14 Mr. Chairman, subject to any questions
15 the Board may have of me, I suggest that you call on the
16 Intervenors as I've listed on the outline of procedures,
17 and then call on Manitoba Hydro for their opening
18 comments. And after opening comments, the Manitoba Hydro
19 witness panel should be sworn in to provide its direct
20 testimony and to be cross-examined. So thank you, Mr.
21 Chairman.

22 THE CHAIRPERSON: Thank you, Mr.
23 Peters. So we will move on now to the opening remarks by
24 the parties.

25 For the Coalition, Mr. Williams.

1 OPENING COMMENTS BY COALITION:

2 MR. BYRON WILLIAMS: Yes, good
3 morning, Mr. Chairman and members of the Board. As Mr. -
4 - excuse me, as Peters has noted, to my left is Mr. Noah
5 Fish -- Fishman who is a second-year student from the
6 University of Leicester, so we're very fortunate to have
7 him joining us. And in the back row the -- the Public
8 Interest Law Centre back row is Ms. Desorcy from the
9 Consumer's Association. So we're very glad to -- to have
10 her offering her interested perspective in this Hearing.

11 And I do want to thank Mr. Peters for -
12 - for entering the exhibits for the -- for the Coalition
13 and also kindly offering to print out the exhibit list
14 for those, I'm not mentioning any names, who may have
15 forgotten to -- to print -- print one over the weekend.

16 As the panel is aware, I represent a
17 Coalition. I think it's a great name, notwithstanding
18 what Mr. Peters has said, of -- of consumer groups,
19 including the Consumers Association, Winnipeg Harvest and
20 Manitoba -- the Manitoba Society of Seniors.

21 And as this Board will be aware, over
22 the years my clients' focus has been on an evidence-based
23 regulat -- analytically-sound regulatory process. And
24 certainly they have particular interest in the per -- in
25 the perspective of residential customers, those

1 struggling paycheque to paycheque to make ends meet, and
2 those living on fixed incomes, and those on incomes that
3 never seem to keep quite -- pace with the rising cost of
4 basic necessities.

5 And my clients find themselves in
6 somewhat of an interesting position in this hearing,
7 being relative agnostics in a -- in a room which
8 contains, from my client's perspective, a number of true
9 believers with different perspectives on this hearing.
10 And certainly my client's review of the evidence of the
11 other parties, suggests that these parties, or at least
12 their witnesses, are all already firmly locked into their
13 positions.

14 The expert witness for RCM/TREE appears
15 to take the position that the second block rate for
16 energy is too low, the baselines are too high, and the
17 idea of a growth allowance, in terms of baselines, is
18 absolute anathema. Two (2) of the expert witnesses from
19 MIPUG appear firmly of the view that Manitoba Hydro's
20 application is unduly discriminatory, focussing as it
21 generally does on large industrial users, and focussing
22 as it specifically appears to do on one (1) current
23 customer in particular, and also new entrants to the
24 marketplace.

25 And my clients want to be upfront with

1 the Board and to frankly acknowledge that they lack the
2 moral certitude of -- of other parties in this process.
3 And so for that reason, my clients will be taking a frank
4 and probing look at the evidence of Hydro, at the
5 evidence of the Manitoba Indust -- Industrial Power Users
6 Group, and the evidence of RCM/TREE.

7 In terms of Hydro's evidence, my
8 clients understand that Hydro's objectives appear to be
9 to protect its revenue base in the face of apparently
10 growing demand from price-sensitive, large users, who are
11 allegedly paying less than their -- the marginal costs of
12 supplying. At the same time, we understand Hydro sees
13 itself as having a difficult balancing act, reconciling
14 that objective of protecting its revenue base with the
15 objective of promoting economic and enabling valuable
16 economic growth in the province.

17 With regard to Hydro's evidence, my
18 clients will seek to: a) better understand the
19 materiality, the significance, the -- the magnitude of
20 their concern; as well as to better understand whether
21 the link between Hydro's objective of protecting its
22 revenue base and whether that is inevitably connected
23 with Hydro's alleged concern with limiting or reducing
24 rate increases for the -- for the rest of the customer
25 base.

1 My clients are also cognizant of the
2 concerns of certain industrial clients, that they are
3 being singled out in a regulatorily -- regulatorily
4 inappropriate way, and they're going to -- and -- and the
5 allegation that certain rates are unduly discriminatory.
6 And my clients are going to explore that -- that position
7 at some length -- a little bit in cross-examination, but
8 more fully in closing argument, relying on Canadian and
9 American case law. And they're going to ask themselves
10 whether the industrial customers can establish, that
11 like-services are being treated in a different manner.

12 If they can, then, in my client's view,
13 they're also going to look at whether Hydro can meet its
14 onus as it must, that any discrimination is not unduly
15 discriminatory. And the test my clients believe is based
16 upon the -- at least the American case law is whether the
17 Utility has an extraordinarily -- extraordinary and
18 serious interest that -- it's protected with these rates.

19 My clients will also turn their frank,
20 probing, and agnostic eyes to the philosophical and
21 practical implications of the evidence being presented by
22 RCM/TREE. At the philosophical level, they're going to
23 ask themselves whether the evidence of TREE and RCM is
24 focussed primarily on sending pricing and conservation
25 signals, or whether it constitutes a more fundamental

1 effort to deter Manitoba economic growth, and reflecting
2 perhaps a view that a province's economic and
3 environmental footprint is too weighty.

4 Practically, my clients will ask
5 whether RCM/TREE's understandable desire to implement
6 better pricing signals for all price-sensitive industrial
7 load, is best addressed for the whole kind of gamut of
8 that load -- is best addressed in this proceeding or in a
9 subsequent proceeding.

10 On a more technical level, my clients
11 are going to look a little bit at process, and what role
12 the Public Utilities Board should have, not just in
13 setting the rate, but in questions relating to the
14 baseline, and in protecting the interests of all parties.
15 And also on a technical level, whether Hydro's proxy for
16 marginal costs is the best proxy, or whether others like
17 the Surplus Energy Program prices or MISO prices might --
18 might be better proxies.

19 In making their submissions, my clients
20 will also be mindful of the reality that much of North
21 America is in recession and that even the resilient
22 Manitoba economy is not immune to these pressures. And
23 they'll be mindful of the real challenges of reconciling
24 the environment and the economy in tough economic times,
25 and also recognizing that in tough economic times the

1 most vulnerable tend to be the those residential
2 customers, the ones struggling from paycheque to
3 paycheque or living on fixed incomes.

4 Subject to any questions, Mr. Chairman
5 and Members of the Board, those are our opening
6 submissions.

7 THE CHAIRPERSON: Thank you, Mr.
8 Williams, and welcome, Mr. Fishman. We'll move now to
9 the Manitoba Industrial Power Users Group, represented by
10 My Landry. Welcome back, Mr. Landry.

11
12 OPENING COMMENTS BY MIPUG:

13 MR. JOHN LANDRY: Thank you, Mr.
14 Chairman, Board Members.

15 I would like to -- before I begin my
16 opening comments, Mr. Chairman, come back to something
17 that was referenced by Mr. Peters which was the filing of
18 the so-called rebuttal evidence late Friday evening by
19 Manitoba Hydro. And I -- and I say this, Mr. Chairman --
20 Mr. Chairman, with -- with this proviso, MIPUG is
21 extremely interested to -- with the Board and will all
22 stakeholders in this process to have a full and -- debate
23 on the issues that are obviously relevant to this
24 application and I think that that can be seen by the
25 substantive evidence that has been filed by MIPUG in

1 order to do that.

2 And I -- and I go -- I go to this point
3 with trepidation, Mr. Chairman, but knowing as -- as I
4 do, that all parties would like to see a fair process, I
5 do feel compelled to make a comment on the filing of the
6 rebuttal evidence on -- on Friday.

7 To say the least, we were disappointed
8 with the filing of the evidence late Friday, in the sense
9 that it is, in -- in effect, evidence that should have
10 been filed by Manitoba Hydro in its main application. In
11 my submission, Mr. Chairman, the vast majority of the
12 evidence that has been filed is not rebuttal evidence; it
13 is evidence that should have been filed in the main
14 application.

15 And the difficulty in a process such as
16 this, which is always looking at the public interest;
17 therefore, you as the Chair and the Board Members require
18 all relevant evidence to be before you. This is not like
19 a normal court proceeding where I'd make an application
20 to have the evidence set aside because it was
21 inappropriate rebuttal evidence.

22 Appreciating that, in this case, Mr.
23 Chair, where you have an application that when you take a
24 look at the substance of it, it was effectively six (6)
25 or seven (7) pages long; well, the evidence in the

1 rebuttal is three (3) -- three (3) or four (4) times
2 that amount -- amount of evidence, just -- just in terms
3 of quantity. And as my friend Mr. Peters has intimated,
4 there is very substantial and very relevant information
5 in that material.

6 And I would say, sir, that it is even
7 more egregious in this circumstance where the Board made
8 it very clear, in my submission, in the reasons at the
9 last hearing, that a -- through directions and
10 suggestions, that detailed information should have been
11 filed by Manitoba Hydro to support their position. Much
12 of the information that is in the rebuttal evidence
13 purportedly to be in reply to the MIPUG and -- and other
14 evidence, is in fact some of that very information that
15 was requested.

16 And the reason it is difficult is
17 because of course being filed as rebuttal evidence in the
18 way it was, it's not subject to the normal discovery
19 processes that this Board and other Boards traditionally
20 use, in order to allow people to -- including the Board
21 to probe the evidence prior to the type of hearing that
22 we're going to have today.

23 Now, MIPUG -- MIPUG has looked at this
24 information carefully over the weekend, and because it is
25 interested to help the Board, as the Board has requested,

1 to provide -- provide assistance to the Board to try to
2 come to a resolution of these issues, it is not going to
3 ask for any delay in the proceedings in order to deal
4 with this.

5 But having said that, our submission is
6 that to allow the Intervenors to properly and fairly be
7 able to deal with this evidence -- and I've spoken to Mr.
8 Peters about this possibility -- that effectively we be
9 entitled to, in our cross-examination on the rebuttal
10 evidence, to probe it as if it was effectively somewhat
11 like a discovery. And no doubt there will be
12 undertakings that will have to be taken as a result of
13 that, and that we be given the opportunity after we
14 receive the answers, and the answers on the undertakings,
15 to follow-up with any cross-examination that we would
16 have on that -- on that evidence.

17 We feel that that type of an approach
18 can hopefully ameliorate the -- the difficulties that
19 arise by having substantive information effectively filed
20 on the eve of -- of a hearing such as this. And of
21 course, Mr. Chair and Board Members, the Board will have
22 to determine what weight it will give to evidence that is
23 filed so late in the proceedings, in any event.

24 So, Mr. Chairman, I wanted to make
25 those opening remarks. I don't want to start on a down

1 note, but it is -- it is a, obviously we're -- in my
2 submission, we should all be attempting to ensure that
3 the process is as fair as possible, and -- and I felt
4 that, and MIPUG felt that it was appropriate to make
5 those comments at the beginning.

6 Mr. Chair and Board Members, I now
7 provide some opening comments on the -- on the
8 Application that has been filed by -- by Manitoba Hydro.

9 And as the Board is fully aware, MIPUG
10 is an association of major industrial customers operating
11 in Manitoba. The purpose of that association is to work
12 together on issues of common concern related to
13 electricity supply and pricing in Manitoba. And to that
14 end, as this Board is fully aware, MIPUG has intervened
15 in each of the Board's reviews of Hydro's rates since
16 1988, as well as the Board's review of the Centra Gas
17 acquisition in '99 and Hydro's major capital projects in
18 1990.

19 Now the MIPUG members, who together
20 account for over 20 percent of Hydro's domestic sales,
21 currently include Canexus in Brandon, Vale Inco in
22 Thompson, Hudson Bay Minerals in Flin Flon, Enbridge
23 operating in Southern Manitoba, Gerdau in Selkirk, Erco
24 in Hargrave, Koch Fertilizer in Brandon, Tolko in The
25 Pas, Griffin Canada in Winnipeg, and TransCanada Keystone

1 Pipeline in Southern Manitoba.

2 As in previous interventions, MIPUG's
3 intervention in this proceeding is directed to the long-
4 term intro -- interests of Hydro's domestic customers.
5 Manitoba -- or -- or sorry, MIPUG members' concerns are
6 reflective of the size of their capital investment in
7 Manitoba; the long-term perspective essential for such
8 investments, and the major stake that these investments
9 typically have in continued -- large scale power
10 purchases from Manitoba Hydro.

11 In addition, MIPUG's concern --
12 members' concerns reflect competitive market pressures
13 associated with selling Manitoba industrial products to
14 external markets and the need to secure the lowest
15 reasonable costs for power, as well as other production
16 inputs to offset disadvantages that arise from operations
17 in Manitoba, such as transportation and distance to
18 markets.

19 In focussing on long-term and -- and
20 the principled perspective, MIPUG is not here to speak on
21 behalf of any individual MIPUG members. As we informed
22 Mr. Peters, and as Mr. Peters intimated in his opening
23 comments, several MIPUG members are intending to make
24 presentations during this proceeding, and in those
25 presentations they will provide their individual

1 company's views on Manitoba Hydro's application before
2 you.

3 MIPUG's overriding objective is to
4 ensure that fundamental and basic regularity principles
5 important to the regulatory construct in place in
6 Manitoba are understood and maintained. Keeping in mind
7 the essential tenet of the Manitoba regulatory construct,
8 and that being that Manitoba Hydro, as the monopo --
9 monopoly supplier, has an overriding obligation to serve
10 all customers in Manitoba. There are fundamental core
11 principles, or protections, which exists within that
12 construct, which ensure that all customers are treated
13 fairly, and just and reasonable roa -- rates are
14 appropriately approved by this Board.

15 At a basic level, Mr. Chair, MIPUG's
16 position is that Manitoba Hydro's present Application,
17 and the approach that Manitoba Hydro has adopted in that
18 Application, is asking the Board to compromise certain of
19 these core fundamental principles and protections. As
20 such, the Board's review of -- of Hydro's proposal is
21 extremely important, not only to those customers that are
22 specifically targeted in Hydro's proposal, but to all
23 customers who rely upon and are protected by these
24 fundamental core principles and protections.

25 And I'd say that's even so -- more so

1 now that Manitoba Hydro has made it clear in its rebuttal
2 evidence, that it is actively examining the possible
3 application of this type of an approach to a wider group
4 of customers. And I quote from their rebuttal evidence
5 when I say that.

6 Now, Mr. Chair and Board members,
7 although the Board has, in certain limited circumstances,
8 jurisdiction to compromise core principles, such as non-
9 discriminatory rate making, and full and complete
10 disclosure of all relevant Manitoba Hydro information, it
11 should only do so when there is no other reasonable
12 alternative available. And more importantly, should only
13 do so when it has before it all information relevant to
14 the issue, a complete analysis of that information, and a
15 thorough and comprehensive understanding of all options
16 that could reasonably deal with the issue at hand.

17 Furthermore, in the case of the very
18 limited circumstances -- excuse me -- where the Board
19 would have jurisdiction to approve discriminatory rates,
20 the standard of review, in our submission, must be even
21 more onerous. Allowing a monopoly supplier to
22 discriminate against a group or sub-group of customers,
23 who have no option but to purchase from that supplier, is
24 so contrary to the basic principles of an embedded cost
25 regulatory system, that it must only be done in the

1 rarest of circumstances.

2 Now, Mr. Chairman, at the GRA hearing
3 in the Spring, MIPUG's intervention, in relation to this
4 issue, was in part focussed on bringing to the Board's
5 attention the fact that Manitoba Hydro was indeed asking
6 the Board to compromise fundamental core principles. And
7 further, that it had not at that time placed before the
8 Board the type of information and analysis which would
9 allow the Board to come to a considered view of its
10 proposal. And arising from that hearing, and
11 notwithstanding that Manitoba Hydro withdrew it's
12 proposal, the Board took time in its reasons in Order
13 116/08 to outline in detail the type of information,
14 analysis, and option it would like to see in any new
15 Hydro proposal.

16 Now Manitoba Hydro's new proposal
17 continues to exempt non-industrial loads, no matter what
18 size of the growth, and to target certain large
19 industrial loads attached to any affiliate group or
20 companies in Manitoba, as you mentioned in your opening,
21 Mr. Chair. Industrial loads over 100 gigawatt hours per
22 -- per year that grow too fast, and any industrial load
23 over 1,500 gigawatt hours per year, regardless of
24 contributing factors, are -- are targeted. Manitoba Hydro
25 claims that ten (10) industrial customers today are large

1 enough to be -- be eligible for this new rate.

2 Now Manitoba Hydro's proposal has in
3 certain ways changed materially since the last hearing.
4 The -- the uncertainty and vagueness caused by the
5 exemption criper -- criteria have been eliminated. It
6 now purports to only impact a very limited number of
7 customers, based on the evidence that appears to be three
8 (3) to five (5), at least based on the current growth
9 expectations of customers within the first five (5) year
10 time frame set out in the proposal. And it's also
11 adopted a new approach to setting the second block rate.

12 Now on one (1) key matter relevant to
13 MIPUG, based on the present short to medium term planning
14 horizon of the five (5) years that is mentioned in the
15 Manitoba proposal, many MIPUG members now do not expect
16 to be impacted by the new proposal. And you will hear
17 some of that in the presentation. However, Mr. Chairman
18 and Board Members, that is not nor should it be the
19 determining faction in whether or not the Board on a
20 principled basis should approve that Applica -- this
21 Application. And what also needs to be remembered is
22 that all eligible large industrial customers will be
23 impacted by this new rate at any time that their growth
24 exceeds the allowed limits set out in the proposal.

25 Now, Mr. Chair, after reviewing

1 Manitoba Hydro's filed Application, MIPUG concluded the
2 material filed by MI -- by Hydro in support of the
3 Application failed to provide the substantive and
4 relevant information and analysis the Board directed or
5 suggested Manitoba provide in its Application. As a
6 result, Manit -- or MIPUG prepared, in the very short
7 time that was available to it, evidence which attempted
8 to address the various informational directions and
9 suggestions set out in the Board Order.

10 And as you know, Mr. Chair, Board
11 Members, the evidence that is filed MIPUG includes the
12 evidence of Messrs. Bowman and McLaren who, as you know,
13 are intimately familiar with the Manitoba regulatory
14 environment and the situation facing Manitoba Hydro and
15 other stakeholders, and also who provided evidence at the
16 recent 2008 Rate Application.

17 In addition to that, MIPUG retained Mr.
18 Peter Ostergaard, the former Chair of the BC Utilities
19 Commission and Assistant Deputy Minister in the British
20 Columbia Government, to provide expert evidence in the
21 area of overall policy considerations that are relevant
22 to this application. The Board in its recent Order noted
23 a need to review relevant experience in other
24 jurisdictions and BC is certainly one (1) jurisdiction
25 where there is relevant experience.

1 Because of Mr. Ostergaard's specific
2 energy policy experience in BC, his evidence includes a
3 full and thorough review of the BC situation, using as a
4 guide for his review of the BC experience the type of
5 information and analysis the Board requested or suggested
6 Manitoba Hydro include in its Application.

7 Now MIPUG believes that its evidence in
8 the IR process -- responses, excuse me, will provide all
9 parties with an opportunity to engage in a more informed
10 discussion in relation to the issues presently before the
11 Board in this Application.

12 I'd just like to take a couple of
13 seconds to outline for the Board, in general, MIPUG's
14 intervention in -- in this proceeding.

15 Now MIPUG's intervention will focus on
16 three (3) major related sets of issues raised by the
17 Board in Board Order 116/08 and the applic -- in the
18 Application itself and also the evidence that has been
19 filed, at least to this point and time.

20 And those three (3) general categories
21 are:

22 First of all the whole issue of
23 targeted industrial growth issues, which relates to the
24 issues obviously raised in this specific application and
25 the latest proposed terms and conditions presented by

1 Hydro.

2 The second major issue will relate to
3 efficiency and price signal issues. Now these are issues
4 related to what relationship, if any, exist between this
5 Application and proposals to establish efficiency and
6 price signal rates within the Manitoba regulatory
7 construct of regulated embedded cost rates. In MIPUG's
8 view the evidence clearly shows that this specific
9 application provides no meaningful contribution or
10 relationship to addressing such efficiency and price
11 signal increases.

12 The third major category, Mr. Chair,
13 relates to the whole issue of bulk power assistant
14 planning issues. And these are issues which relate to --
15 to what if any, relationship exists between this
16 Application and the Board's stated concerns regarding
17 Manitoba Hydro's bulk power system planning and export-
18 focussed development strategy. In MIPUG's view the
19 evidence clearly shows that this specific application and
20 its alleged concerns related to energy intensive industry
21 growth provide no meaningful contribution or relationship
22 to addressing such bulk power system planning issues.

23 Now, turning to the first point, which
24 is obviously the -- the key issue before you, which is
25 the targeted industrial growth issues, MIPUG intends to

1 Manitoba Hydro an appropriate proxy, in -- in relation to
2 the claims of loss of export revenue? Is this rate
3 transparent, understandable, at all relevant to future
4 load, focussed on the long term, reasonably stable and
5 predictable, and truly capable of independent
6 verification?

7 So these, Mr. Chair, are the type of
8 issues that MIPUG, through its witnesses in an argument
9 and -- and to a certain extent in cross-examination, will
10 be dealing with at this hearing. And the hope is that by
11 -- by dealing with these issues it will help the Board,
12 as requested, to provide the Board with assistance to
13 ensure that before such a rate is put into place, such an
14 unprecedented rate in Canada is put into place in
15 Manitoba, that you have the information before you to
16 come to a considered view, and that MIPUG looks forward
17 to actively participating in this hearing, and to ensure
18 that the Board has before it the relevant information
19 that it requested in its most recent Board Order.

20 And, Mr. Chair, given the length of my
21 opening comments I have prepared a copy that we can put
22 into the record and we will do so at the -- at the next
23 break.

24 THE CHAIRPERSON: Thank you, Mr.
25 Landry.

1 Mr. Peters...?

2 MR. BOB PETERS: Yes, Mr. Chairman. I
3 indicated in my opening comments that Mr. Anderson and I
4 have not been in direct contact for some days. Had I
5 checked my electronic device, I would have known that was
6 in err. Mr. Anderson this morning has sent me some e-
7 mail and he indicates to the Board and asks to be excused
8 from attending the proceedings this week.

9 He indicates that it's necessary for
10 him to travel to and participate in community meetings
11 that have been rescheduled for reasons beyond his
12 control; I believe related to a previous death in those
13 communities, and as a result he is not able to make the
14 opening comments this morning or to directly participate
15 this week. He does indicate that he will monitor the
16 proceedings through the transcript. And I will keep the
17 Board advised as to whether it is his intention to
18 participate next week and in closing submissions. Thank
19 you.

20 THE CHAIRPERSON: Thank you, Mr.
21 Peters. With that we will move on to RCM/TREE.

22 Mr. Gange...?
23

24 OPENING COMMENTS BY RCM/TREE:

25 MR. BILL GANGE: Thank you, Mr. Chair,

1 Members of the Board. As you know, Time to Respect
2 Earth's Ecosystem, TREE, and Resource Conservation
3 Manitoba, RCM, are non-government organizations committed
4 to the advancement of a more sustainable society, in
5 which our planet's natural endowments of living and non-
6 living systems and resources are valued, respected, and
7 conserved. Recognizing that this natural legacy is
8 finite -- I'm sorry, recognizing that this natural legacy
9 is finite and subject to degradation and depletion, we
10 promote eco-efficiency, improving the ratio of social
11 benefits to environmental harms and resource depletion,
12 as an essential pillar of a sustainable society.

13 This concept is particularly apt for
14 consideration in this hearing. Are we optimizing the
15 social benefits from our hydro power in permitting
16 unlimited growth in the energy intensive industrial
17 sector, at less than embedded costs? Many of the issues
18 that will be considered by this Board will require a
19 balancing of the social benefits of the creation of jobs
20 and the promotion of economic development against the
21 potentially harmful effects of the increasing use of a
22 significant portion of the energy capacity of Manitoba
23 Hydro sold at bargain rates for a small number of
24 customers.

25 At this hearing I will be appearing on

1 behalf of RCM/TREE, along with my colleague, Beth Tait-
2 Milne. Unfortunately the -- the scheduling of this
3 process has not been particularly convenient for me
4 personally, in that I also have other hearings and a
5 trial that are set at the same time. So Ms. Tait-Milne
6 will be assisting in that process.

7 Professor Peter Miller will be in
8 attendance throughout most of this hearing. We will be
9 presenting the evidence of Paul Chernick, who appeared
10 before this Board at the GRA hearing in the Spring of
11 2008.

12 Our intervention is on the basis of the
13 principles of sustainability and justice. Sustainability
14 includes durable, economic well-being as a component of
15 social and environmental well-being. It requires taking
16 into account system-wide and long-term consequences of
17 policies and actions, and the recognition that
18 development must be reconciled with finite resources,
19 even if those resources are renewable as hydro electric
20 power is.

21 We recognize that Manitoba Hydro is a
22 key engine of prosperity in Manitoba and a central
23 purpose of our deliberations is to optimize the contri --
24 contributions of this major asset to see that the
25 benefits are distributed fairly.

1 In the last GRA it was noted that a
2 renewed capital expansion program is accompanied by an
3 ever receding time horizon for achieving the
4 Corporation's targeted seventy-five/twenty-five (75:25)
5 debt equity ratio.

6 In the industrial users' segment, in
7 particular, Manitoba Hydro faces a very significant gap
8 between the embedded and the marginal costs of service.
9 In Manitoba no customer class is even paying the embedded
10 costs of power because these are further reduced by the
11 application of export earnings to subsidize domestic
12 rates. The new Cost of Service Study helps identify the
13 amount of export profits, which raises the policy issue
14 of how those profits -- profits are most optimally and
15 fairly distributed.

16 In this hearing, RCM/TREE agree with
17 the intent of the current Application to address the
18 impacts of major load growth on system benefits, export
19 revenues, and customers. We note that Manitoba Hydro
20 lags behind the other two major hydro electric Crowns,
21 Hydro Quebec and BC Hydro, in developing provisions and
22 safeguards for very large potential additions to the
23 load.

24 We have identified at least three (3)
25 key issues:

1 The determination of applicable
2 marginal costs for the second tier. This issue includes
3 sub-issues of a forward versus backward determination of
4 marginal costs.

5 And secondly, developing a better grasp
6 of transmission and generation constraints on exports and
7 their effect on export earnings. Secondly, the provision
8 of a growth allowance that leaves most customers
9 untouched by the new rate.

10 And thirdly, the need to integrate the
11 new rate proposal with rates that incorporate
12 conservation incentives.

13 It is our view that the current
14 proposal is more symbolic than effective, and that a more
15 aggressive approach is needed to ensure that most
16 customers will face marginal cost prices and incentives
17 for at least a small portion of their usage.

18 RCM/TREE view the Energy In --
19 Intensive Industrial Rate Application as one (1) part of
20 a process of modernization of rates. The current
21 proposal affects only a few of the largest customers of
22 Manitoba Hydro. Our analysis suggests that the number of
23 customers actually paying the marginal cost tier of this
24 rate will shrink over the next few years, making it --
25 making it even less effective as we proceed in the

1 future.

2 We need to get the Energy Intensive
3 Industrial Rate right for the largest customers in the
4 system. It is the position of RCM/TREE that the Board
5 should require Manitoba Hydro to propose the
6 implementation of marginal cost pricing for the remainder
7 of the GS Large class in its next GRA. Eventually, it is
8 our hope that the reform process will be applied to all
9 classes of service.

10 Thank you, Mr. Chair, those are my
11 opening remarks.

12 THE CHAIRPERSON: Thank you, Mr.
13 Gange.

14 Manitoba Hydro, Ms. Ramage, opening
15 comments please.

16

17 OPENING COMMENTS BY MANITOBA HYDRO:

18 MS. PATRICIA RAMAGE: I -- I'd like to
19 begin simply by introducing our -- our panel here this
20 morning, and I've lost my note, so I'm going to be
21 winging it on what their position titles are.

22 But to my immediate right is Mr. Vince
23 Warden, who is Vice-President of Finance and
24 Administration, and Chief Financial Officer. Next we
25 have Mr. Robin Wiens, who is the Division Manager of

1 Rates and Regulatory Affairs. To his right is Mr. Mike
2 Dudar, who is the Division Manager of Industrial and
3 Commercial Solutions. And final -- finally we have Mr.
4 Harold Surminski, who is Section Head of Power Resource
5 Planning and -- and market -- Market Analysis.

6 I came close to getting them all.

7 It is not Manitoba Hydro's practice to
8 typically have opening comments and -- and we typically
9 like to get right into it, but having heard this mornings
10 comments there is something, as counsel, I feel incumbent
11 to speak to, and those are the comments made by counsel
12 for MIPUG, regarding the rebuttal evidence.

13 I would simply state that Manitoba
14 Hydro ultimately exists to serve its ratepayers. Our
15 ratepayers are not all alike and they have separate and
16 diverse interests. For that reason, that is -- that is
17 the reason this type of Application comes forward.

18 And when we file an -- any Application,
19 not just this one (1), we attempt to file full and
20 complete information. That information is based, at
21 least on part, on -- with -- on consultations with our
22 customers and we've done that in this instance in this
23 case. And as eluded to by Mr. Williams, Manitoba Hydro
24 is seeking to balance multiple interests; it -- it is not
25 a simple task. But I don't believe Manitoba Hydro is

1 asking this Board to compromise any regulatory
2 principles.

3 We should not confuse the terms
4 "discriminatory" with "unduly discriminatory". "Unduly"
5 is a -- is a term in -- in and of itself and has to be
6 given significance. So I don't want to lose -- anyone to
7 lose track as we move forward by -- that Manitoba Hydro
8 is not asking this Board to compromise regulatory
9 principles.

10 And in terms of our rebuttal evidence,
11 Manitoba Hydro and all Intervenors here participated in a
12 GRA process where many of these issues were canvassed.
13 We received IRs from the Intervenors and an extensive
14 amount of information was filed. And -- and that
15 resulted in a volume of rebuttal evidence. That evidence
16 was filed on Friday evening. It was due this morning; we
17 tried to get it out as early as possible.

18 And -- and I'm not in a position to
19 even speak to -- to what information is at issue with
20 MIPUG counsel; it wasn't identified. But from Manitoba
21 Hydro's perspective the rebuttal evidence simply replied
22 and commented on the volume of information that was
23 issued subsequent to the Application. And Manitoba Hydro
24 would submit that it is not in any way an incomplete
25 initial filing.

1 And -- and with that, those -- those
2 are simply my opening comments. But I would invite Mr.
3 Peters if the next -- in the process is to, I believe,
4 have the witnesses sworn. And our witnesses are
5 available for that purpose.

6 MR. ROBERT MAYER: Ms. Ramage, I
7 haven't seen your rebuttal evidence because I left my
8 office at about 3:30 on Friday afternoon. And I -- but I
9 do hear the comments from counsel for MIPUG and those of
10 us who spent a fair bit of time in a courtroom don't very
11 much like what we call trial by ambush, and I'm getting
12 the impression that that's how MIPUG is feeling.

13 I'm not going to comment any further on
14 it at this point in time because I haven't had an
15 opportunity to read it. But that in itself speaks to how
16 this Board can be relatively informed when we go into a
17 hearing, when we don't have -- some of us haven't even
18 seen the evidence.

19 MS. PATTI RAMAGE: Mr. Mayer, I can
20 only say I agree with you. I don't like trial by ambush
21 either; I don't think it would be fair or appropriate.
22 But this is not trial by ambush in any way.

23 And in the process we have set up, in
24 terms of the late Friday filing, I think it's only fair
25 to remind all parties that that filing was due this

1 morning, not Friday. And we got it out to people so --
2 with the hope that they could read it over the weekend.
3 But it was due today.

4 And as I indicate I -- I don't have any
5 specifics about why anyone believes this -- trial by
6 ambush. But I would argue that there is no trial by
7 ambush; there is a response to positions raised in
8 evidence.

9 THE CHAIRPERSON: Mr. Gaudreau, do you
10 want to swear in the witnesses?

11 MR. BYRON WILLIAMS: Mr. Chairman,
12 it's Mr. Williams over here, if I might. In -- in terms
13 of the comments of MIPUG, and as well as Hydro, perhaps
14 after the break, I'll certainly consult with my client,
15 but I have some thoughts about what might -- might help
16 all parties in terms of the new information provided that
17 might assist us in -- to move forward in a timely manner,
18 for the -- for the rest of this week.

19 So I'll canvass that with my client and
20 with other parties. And I may or may not have something
21 to say after the break on that point.

22 THE CHAIRPERSON: Very good, Mr.
23 Williams.

24 Mr. Gaudreau...?

25

1 MANITOBA HYDRO PANEL:

2 VINCE WARDEN, Sworn

3 ROBIN WIENS, Sworn

4 MICHAEL DUDAR, Sworn

5 HAROLD SURMINSKI, Sworn

6

7 THE CHAIRPERSON: Okay. I think what
8 we'll do, Ms. Ramage, is if you want to do your direct
9 examination now and then when we're finished with that
10 process, we'll have our break.

11

12 EXAMINATION-IN-CHIEF BY MS. PATTI RAMAGE:

13 MS. PATTI RAMAGE: Thank you, Mr.
14 Chairman. I would begin by directing some questions to
15 Mr. Warden.

16 Mr. Warden, would you please summarize
17 Manitoba Hydro's application before the Board.

18 MR. VINCE WARDEN: Yes, good morning,
19 Mr. Chairman, Members of the Board, ladies and gentlemen.
20 On September the 30th, 2008, Manitoba Hydro applied to
21 the Public Utilities Board for approval of a new Energy
22 Intensive Industrial Rate. The new rate is proposed to
23 be applicable to all non-government, General Service
24 Large customers served at 30 kilovolts or greater and who
25 use 100 gigawatt hours of -- or more of energy annually.

1 Based on these criteria, the new rate
2 would potentially apply to only ten (10) of Manitoba
3 Hydro's existing customers. For those ten (10)
4 customers, which the new rate would potentially apply, a
5 baseline would be established below which all energy
6 consumed would be charged at currently approved heritage
7 cost-based rates. Above the baseline, the proposed
8 energy intensive rate reflective of higher marginal costs
9 would apply.

10 MS. PATTI RAMAGE: Could you describe
11 how the baseline will be determined.

12 MR. VINCE WARDEN: For each applicable
13 customer, a pre-defined baseline will be established,
14 based on the maximum consecutive twelve (12) month energy
15 usage during the three (3) year period, ending March
16 31st, 2008, with a provision to consider adjustments for
17 unusual operating conditions. The baseline will be
18 increased to provide credit for verifiable Power Smart
19 initiatives undertaken since 1992 and for load additions
20 that support environment initiatives.

21 Baselines will be increased by 3
22 percent each year for the first five (5) years, to March
23 31st, 2013, to a maximum cumulative baseline of 1,500
24 gigawatt hours. After March 31st, 2013, baselines will
25 be increased by the lesser of 2 percent per year, or

1 actual growth during the year, to a maximum accumulated
2 baseline of 1,500 gigawatt hours.

3 There is also provision for a one (1)
4 time step increase in the customer's baseline of 10
5 percent of the previous year's baseline. Should a
6 customer choose to take advantage of the one (1) time
7 step increase, the baseline would remain at the higher
8 stepped level until the annual growth allowance equals
9 the stepped baseline.

10 All energy in excess of the baseline,
11 plus applicable growth allowances in any one (1) year, or
12 in excess of the cumulative maximum baseline of 1,500
13 gigawatt hours, will be charged at the new marginal rate.
14 For purposes of simplicity and transparency, the
15 marginal cost rate has been calculated as the average
16 price of firm, extraprovincial sales during the two (2)
17 previous fiscal years. That average price for the two
18 (2) years ended March 31st, 2008, was fifty-five dollars
19 and twenty-seven cents (\$55.27) per megawatt hour.

20 MS. PATTI RAMAGE: Why did Manitoba
21 Hydro establish the criteria of 100 gigawatt hours, with
22 a maximum cumulative baseline of 1,500 gigawatt hours per
23 year?

24 MR. VINCE WARDEN: By establishing a
25 customer-size minimum threshold of 100 gigawatt hours,

1 3 percent per year for five (5) years was -- was applied
2 to a customer with a first year baseline of 1,500
3 gigawatt hours, the revenue lost to the Corporation by
4 year five (5) would amount to over \$5 million per year,
5 and accumulate -- accumulated revenue loss in the first
6 five (5) years of approximately \$15 million.

7 By contrast, the same growth allowance
8 applied to Manitoba Hydro's tenth largest customer with
9 usage of about 140 gigawatt hours per year would amount
10 to a revenue loss of about four hundred thousand dollars
11 (\$400,000) by year five (5).

12 MS. PATTI RAMAGE: Mr. Warden, why is
13 it necessary for Manitoba Hydro to introduce the Energy
14 Intensive Industrial Rate at this time?

15 MR. VINCE WARDEN: As I indicated in
16 my previous response, Manitoba Hydro is experiencing
17 significant revenue loss through -- through expansion of
18 energy intensive load. If this expansion at heritage
19 rates was to continue unabated, the Corporation's revenue
20 position would be further eroded, and higher rates would
21 ultimately result for other energy consumers in Manitoba.

22 The sales of energy -- energy to large
23 industrial customers typically earn the Corporation about
24 3.3 cents per kilowatt hour, compared to 5.5 cents on the
25 export market. This rate differential of about 2.2 cents

1 per kilowatt hour must ultimately be recovered from other
2 customers, unless steps are taken to address this revenue
3 erosion.

4 For a large energy intensive load of
5 approximately 100 megawatts, revenue increases --
6 increases of up to 20 million per year, or an approximate
7 2 percent rate increase, would be required to con --
8 compensate for displaced export revenues.

9 MS. PATTI RAMAGE: Has Manitoba Hydro
10 consulted with Industry and Government in the development
11 of this rate?

12 MR. VINCE WARDEN: Yes, Manitoba Hydro
13 has consulted extensively with both Industry and
14 Government.

15 MS. PATTI RAMAGE: Finally, Mr.
16 Warden, was this Application prepared under your
17 direction and control?

18 MR. VINCE WARDEN: Yes, it was.

19 MS. PATTI RAMAGE: And do you adopt
20 the evidence as filed?

21 MR. VINCE WARDEN: Yes, I do.

22 MS. PATTI RAMAGE: And I -- if I could
23 turn next to -- I'm going to jump down the road to Mr.
24 Surminski.

25 Mr. Surminski, could you please state

1 your name and responsibilities at Manitoba Hydro?

2 MR. HAROLD SURMINSKI: Yes, good
3 morning. My name is Harold Surminski and I hold the
4 position of Section Head in the Resource Planning and
5 Market Analysis Department of the Power Planning
6 Division, which is within the Power Supply Business Unit.

7 I am a professional engineer registered
8 with the Association of Professional Engineers and
9 Geoscientists of the Province of Manitoba. I have been
10 with Manitoba Hydro for thirty-three (33) years, and --
11 excuse me -- and have worked in the resource planning
12 area during my entire career. I have previously testified
13 before this Board in several proceedings related to
14 Manitoba Hydro Electric Rate Applications.

15 MS. PATTI RAMAGE: Mr. Surminski,
16 which aspects of Manitoba Hydro's Energy Intensive
17 Industrial Rate Application were pre -- prepared under
18 your direction?

19 MR. HAROLD SURMINSKI: My main
20 responsibilities, relative to this filing, are related to
21 Manitoba Hydro's plans for future resource development,
22 and the determination of export revenues and generation
23 costs, in the long term. I'm also responsible for
24 developing marginal costs that are used in val -- in
25 evaluating resource options, including DSM.

1 MS. PATTI RAMAGE: Mr. Surminski, in
2 their evidence, Mr. Bowman and Mr. McLaren take the
3 position that the revenue impact of new industrial roads
4 is not properly represented by firm export prices.

5 Do you agree with that statement?

6 MR. HAROLD SURMINSKI: No, I do not
7 agree with the position taken by Messrs. Bowman and
8 McLaren, and I will try to summarize why I have come to,
9 and -- to -- why -- why they have come to this unfounded
10 conclusion on the issue. Manitoba Hydro's rebut --
11 rebuttal evidence on pages 1 to 3 addresses the issue in
12 more detail.

13 Messrs. Bowman and McLaren conclude
14 that tie-line limitations restrict Manitoba Hydro for the
15 majority of the time in being able to obtain on-peak
16 prices. And -- and on-peak prices that are associated
17 with firm export sales for energy that is derived from
18 reductions in industrial load. In its rebuttal evidence
19 Manitoba Hydro has indicated why this position is
20 unfounded, since tie-line is a limiting factor for only a
21 very small percentage of the time (sic). This was
22 illustrated by Manitoba Hydro's rebuttal evidence using
23 information provided by Mr. Chernick, in his response to
24 Information Requests from the PUB.

25 Messrs. Bowman and McLaren break their

1 argument on the ability to achieve premium prices into
2 two (2) components: The first component being on-peak
3 load reductions; and the second, off-peak reductions in
4 load.

5 The first issue of on-peak load
6 reductions, not being able to achieve premium prices, is
7 relatively easy to dispel. They argue that it is not
8 possible to export any more energy on-peak in -- in the -
9 - in the on-peak case because any increase in domestic
10 load cannot be converted into export sales because the
11 tie-lines are fully utilized.

12 As a -- as I have indicated, the
13 evidence and Mr. Chernick's provision of some graphics
14 illustrates that tie-line is not the limiting factor for
15 on-peak exports for the vast majority of the time. So if
16 it is not the tie-line it must be generation capability
17 that becomes the limiting factor.

18 So generation capability is derived
19 from the difference between -- or the export capability,
20 sorry, is defined as the difference between generation
21 capability and domestic load. So if domestic load is
22 reduced in the on-peak hours, say from not having
23 increased industrial load, the export quantity must be
24 increased, because the generation capability remains the
25 same.

1 So therefore the reduced domestic load
2 makes generation capability available or it freed-up
3 generation capability for export sales, therefore
4 eliminating on-peak domestic load -- results in increased
5 on-peak export revenue for the vast majority of the time.

6 The second issue that they argue is
7 related to the ability to obtain premium prices for off-
8 peak load reductions. Similarly, the argument of tie-
9 line being the limiting factor for the majority of the
10 time, is -- is proven not to be the case. There is
11 sufficient reservoir storage to transfer water from on-
12 peak hours to off-peak hours, so therefore Manitoba Hydro
13 must be able to -- to gain value from the energy in the
14 on-peak period by transferring the off-peak energy to
15 reservoir storage.

16 In addition to -- to the situation of
17 the transfer, the reduced load frees-up dependable energy
18 that can be converted into dependable energy sales.

19 Manitoba Hydro requires accredited
20 capacity, firm transmission, and dependable energy, in
21 order to negotiate a new on-peak firm sale. Manitoba
22 Hydro has sufficient accredited capacity and firm
23 transmission capability to make new export sales
24 available. All it requires is some dependable energy.
25 So the reduced industrial load provides this dependable

1 energy that can be converted into a new firm sale.

2 In addition with the new MISO market,
3 it is not necessary for Manitoba Hydro to physically meet
4 export obligations at all hours, since it is possible to
5 settle these obligations financially. So therefore,
6 under the market conditions under which it operates,
7 Manitoba Hydro is able to obtain premium on-peak prices
8 for energy reductions in both the on-peak and the off-
9 peak hours.

10 That concludes my evidence.

11 MS. PATTI RAMAGE: Thank you, Mr.
12 Surminski. If I could turn to Mr. Wiens.

13 Mr. Wiens, which aspects of Manitoba
14 Hydro's application were prepared by you or under your
15 direction?

16 MR. ROBIN WIENS: Ah, yes. Good
17 morning, Mr. Chairman and Members of the Board, ladies
18 and gentlemen. I participated in the preparation of the
19 application and all supporting documents, including
20 appendices and responses to all Information Requests. I
21 coordinated the preparation of rebuttal to the testimony
22 of Messrs. Bowman and McLaren on behalf of MIPUG, and Mr.
23 Chernick on behalf of RCM/TREE.

24 MS. PATTI RAMAGE: Mr. Wiens, on pages
25 12 and 13 of Manitoba Hydro's rebuttal evidence, there's

1 a discussion of average opportunity values over the
2 recent two (2) fiscal years, averaging four point seven
3 (4.7) cents per kilowatt hour, and representing Manitoba
4 Hydro's short-run marginal cost of energy.

5 You were not meaning to characterize
6 that as an appropriate rate for the second energy block
7 in the rate being proposed in this Application, were you?

8 MR. ROBIN WIENS: Not at all, for
9 reasons which were discussed in our rebuttal evidence and
10 elaborated on by Mr. Surminski a few moments ago.

11 The average value of firm sales is more
12 appropriate, because the rate being applied for here
13 pertains to firm loads, and because domestic firm load
14 reductions can be marketed as firm energy sales in the
15 export market. The discussion at the bottom of page 12,
16 on the top of page 3 of the rebuttal -- or on top of page
17 13 of the rebuttal evidence, was intended simply to
18 illustrate that some domestic class's average revenue is
19 falling short of the lowest opportunity value otherwise
20 available to Manitoba Hydro, even if no incremental
21 facilities are required in Manitoba to deliver an
22 incremental kilowatt hour to those classes.

23 This discussion was in the context of
24 due or undue discrimination, and it was intended to
25 illustrate that today General Service Large classes fall

1 below that benchmark to a greater extent than other
2 domestic classes.

3 MS. PATTI RAMAGE: Thank you for that
4 clarification. Mr. Wiens, at page 34 of the evidence of
5 Messrs. Bowman and McLaren, it's argued that Manitoba
6 Hydro has incorrectly assessed and measured the problem.
7 In support of this proposition the evidence points out
8 that Manitoba load growth is exactly as per Manitoba
9 Hydro's 1998 long time forecast.

10 Can you comment on the relevance of
11 correctly forecasting load growth to the energy intensive
12 load growth issue?

13 MR. ROBIN WIENS: Yes. In a nutshell,
14 it's not of very much relevance. Our concern is not
15 whether the load increase may or may not have been
16 forecast in some previous load forecast, but that the
17 load is growing more rapidly than any other load in the
18 province, and at least some of this growth is
19 attributable to low rates.

20 Manitoba Hydro's load forecast for
21 major customers substantially reflects the planning
22 information provided to Manitoba Hydro by those customers
23 themselves. It is completely neutral; that is the load
24 forecast is completely neutral, as to whether or not
25 those rates of increase should be of concern.

1 Also, as Manitoba Hydro noted in its
2 rebuttal evidence on pages 14 and 15 on this matter, if
3 you look at the load forecast from one (1) year later in
4 1999, you can see that the forecast load growth for the
5 General Service Large over 100 kV class for 2007/'08 was
6 4,389 gigawatt hours, an amount which was actually
7 surpassed by -- a significant amount when the loads
8 actually materialized.

9 MS. PATTI RAMAGE: The Bowman/McLaren
10 evidence also asserts that load growth by any class,
11 equally adversely impacts all other customer classes at
12 the bulk power level.

13 Would you agree with that statement?

14 MR. ROBIN WIENS: No. Depending on
15 one's perspective, load increases by any class, in the
16 absence of similar increases by all other classes, will
17 have an adverse effect on other classes, but is not
18 necessarily an equal effect. If one looks only at the
19 very short term impacts of an increase in the load of one
20 particular class, these are tied to a reduction in energy
21 sales in the export market only.

22 In Attachment 3 to our rebuttal
23 evidence, we show that the impact of an equivalent
24 increase in energy used by domestic customers will differ
25 substantially among the different classes, because of

1 differences in the level of rates of the various classes.
2 Thus, it is possible that increases in the residential or
3 General Service Small demand loads may actually reduce
4 the overall revenue requirement, while increases to the
5 General Service Large loads will almost certainly
6 increase it.

7 MS. PATTI RAMAGE: Mr. Chernick
8 recommends that Manitoba Hydro use the levelized energy
9 of Wuskwatim or -- and I'm quoting "if Wuskwatim is not
10 cost effective" end of quote, because those words are not
11 coming out of my mouth. Use -- anyways if Wuskwatim is
12 not cost effective, Mr. Chernick uses Manitoba Hydro's
13 projection of market prices.

14 Could you comment on that
15 recommendation?

16 MR. ROBIN WIENS: Yes, I will.
17 Manitoba Hydro agrees that the forward looking price is
18 more likely to reflect the marginal cost value of firm
19 energy. However, Manitoba Hydro continues to recommend
20 using the lagging two (2) years for the transparency that
21 that provides.

22 Over time, as existing firm expert
23 contracts terminate and new contracts are entered into,
24 the value of firm expert energy is likely to rise, and
25 with the two (2) year lag, a second block rate will

1 follow it.

2 Manitoba Hydro also observes that the
3 proposed rate is not like the BC Hydro inverted rate,
4 which is intended to be revenue neutral for customers who
5 continue to operate at their baseline energy level, and
6 where the price for a second block is offset by
7 reductions to the price of the first block. With this
8 proposed rate in Manitoba, the price of the second block
9 may effect, or potentially effect, a significant part of
10 the loads of some customers.

11 If Manitoba Hydro were to adopt a
12 significantly higher price for the second block, as
13 recommended by Mr. Chernick, it would also want to review
14 other aspects of the rate design, such as the customer
15 baseline energy growth provisions.

16 MS. PATTI RAMAGE: PUB Order 150 of
17 '08, modified Directive 22, from the PUB's early Order
18 117 of '08 with respect to providing an implementation
19 strategy outline by December 1st, 2008, for time-of-use
20 rates, as appropriate to classes with required met --
21 metering technology already in place. Alternative rate
22 strategies should be included for consideration at the
23 upcoming Energy Intensive Industry -- In -- Industry Rate
24 hearing, was stated by the Board.

25 Can you provide the Board with an

1 update on the status of this directive?

2 MR. ROBIN WIENS: Yes. Unfortunately
3 Manitoba Hydro is not currently in a position to respond
4 in any meaningful way to this directive. In its recent
5 General Rate Application, Manitoba Hydro noted that there
6 are a number of key steps toward the design of a time-of-
7 use rate, and I'll briefly run over them.

8 The first is to determine the
9 sustainability of the current observed on-peak/off-peak
10 differentials, and the impacts of time-of-use rates
11 during periods in which there is little or no
12 differential.

13 Determine -- the second is to determine
14 whether or not there is a basis for long-term modelling
15 of time-of-use price and cost differentials.

16 The third was to estimate the potential
17 for load shifting among the General Service Large
18 customers that are metered for time of -- potential time-
19 of-use rates.

20 The fourth is to estimate the likely
21 load shifting response to reasonable on-peak/off-peak
22 differentials.

23 The fifth, develop and engage in a
24 consultation process with potential time-of-use
25 customers.

1 The sixth, develop an implementation
2 plan for the introduction of time-of-use rates.

3 And finally, the seventh, was to apply
4 for rate changes, via an Application to this Board.

5 Manitoba Hydro does require
6 considerable internal review to carry out the first four
7 (4) steps in this process. This type of a review would
8 involve lengthy consultations among the groups
9 responsible for a number of functions within the Utility,
10 including export price forecasting, power sales
11 operations, customer service representatives responsible
12 for major customers, and rates and costs to service. It
13 is expected that the first four (4) stages would require
14 up to six (6) months, developing and refining reasonable
15 alternative proposals.

16 Internal review consists of analysis of
17 information, and the development of preliminary
18 proposals, review discussion, modifications of proposals,
19 selection among the range of alternative proposals, and a
20 preliminary assessment of likely customer response.

21 Some of the major issues include, but
22 they're not limited to: Which classes to include in this
23 definition; whether or not the rate should be mandatory
24 or optional -- or whether the rate should be mandatory or
25 optional; the number of pricing periods; whether or not

1 to incorporate an inverted rate design and the time-of-
2 use design; and the treatment of capacity related costs.

3 The fifth stage is consultation with
4 potential customers, a stage which would likely require
5 several more months of information exchange.

6 It is only when we arrive at the sixth
7 stage that we are in a position to develop an
8 implementation plan.

9 MS. PATTI RAMAGE: Mr. Wiens, can you
10 also update the Board on the status of Directive 28, in
11 which the PUB req -- directed Manitoba Hydro provide an
12 explanation as to use -- as to the use and sus -- and
13 suspension of its service extension policy for discussion
14 at this hearing?

15 MR. ROBIN WIENS: Yes. Manitoba Hydro
16 will normally invest up to three (3) times forecast
17 annual revenue to extend service to any customer.

18 For customers served at less than 30
19 kilovolts, there are additional limitations on the amount
20 Manitoba Hydro will invest in specific facilities such
21 as: dedicated facilities on private property; special
22 services such as underground services; seasonal
23 residences; location of the point of delivery; three (3)
24 phase service; and pad-mounted transformers.

25 For individual rural residential

1 customers outside subdivisions, the revenue-based
2 allowance, i.e., the three (3) years revenue, is replaced
3 with a distance allowance of up to 1.25 kilometres of
4 line, including not more than three (3) poles on private
5 property.

6 For rural residential customers within
7 a subdivision, the distance allowance is applicable only
8 to four (4) lots, or if greater, to 10 percent of the
9 number of lots. In all cases the -- if the extension
10 cost is greater than Manitoba Hydro's allowance, customer
11 contribution is required to make up the difference.

12 For customers who own their own
13 transformation, that is, General Service Large customers
14 in any of the three General Service Large classes, there
15 are additional considerations. The maximum allowance for
16 primary voltage service other than those exceeding 30 kV
17 or loads exceeding 5 megawatts where the customer owns
18 the transformation is, yes, still three (3) times the
19 estimated annual revenue, and is applicable only to
20 facilities which are not on private property.

21 When you get above 30 kilovolts and for
22 loads exceeding 30 kilovolts, and prior to June 23rd,
23 2005, an allowance was applicable to the cost of
24 upgrading the -- the Corporation's existing common
25 integrated system on the supply side of the point where

1 the customer's facilities tap into the system.

2 Effective June 23rd, 2005, there was no
3 allowance supplied to any facilities required to serve
4 new loads exceeding 30 kilovolts, or loads in excess of 5
5 megawatts, without approval of Manitoba Hydro's executive
6 committee. And at -- I'd say any facilities, that refers
7 to facilities downstream of the generation system and the
8 HVDC system.

9 This approach to extension allowances
10 is fundamentally tied to revenue in much the same way as
11 BC Hydro's electric Tariff Supplement Number 6, albeit
12 the revenue-based allowances do not appear to be as
13 generous as those of Tariff Supplement Number 6.

14 Still, the last time we reviewed other
15 utilities' allowances, Manitoba Hydro's allowances were
16 among the most generous in Canada. The revenue-based
17 approach used by Manitoba Hydro provides a relatively
18 simple way for customer service representatives to
19 provide most perspective customers with quotes for
20 service extension. It does not require a feasibility
21 test, such as that employed by Centra Gas for individual
22 extensions. And it does not necessarily ensure that the
23 extension holds other customers absolutely harmless from
24 the costs associated with the extension. Some extensions
25 may be profitable for the general rate base while others

1 are not.

2 Extension to large energy intensive
3 load expansions, or locations in Manitoba, prior to June
4 23rd, 2005, definitely fell into the latter category;
5 that is, not profitable for the general rate base.

6 MS. PATTI RAMAGE: And was that the
7 reason for eliminating the provision of allowances for
8 loads in excess of 30 kV service voltage or 5 megawatts?

9 MR. ROBIN WIENS: Yes. The suspension
10 of allowances was an initial response to the concern that
11 is driving the application that's before this Board
12 today. The continuing expansion of large energy
13 intensive industry, whose incremental cost to serve is
14 substantially in excess of the revenue that was being
15 received as a result of those expansions.

16 At that time it was determined that the
17 net annual cost to Manitoba Hydro of delivering energy,
18 just to the chlorate and pipeline industries, rather than
19 to the export market, was in the order of \$55 million
20 annually. Over a thirty (30) year period dis --
21 discounted at Manitoba Hydro's then weighted average cost
22 of capital, the net present value of this foregone
23 revenue was estimated at approximately \$750 million.

24 Eliminating service extension
25 allowances was far from sufficient to compensate for the

1 long term net costs of serving new energy intensive
2 loads. But it was believed that until a more
3 comprehensive approach to this issue could be developed,
4 the Corporation should at least stop subsidizing the cost
5 of connecting the new loads to the system.

6 MS. PATTI RAMAGE: Thank you, Mr.
7 Wiens, and if I could turn to Mr. Dudar.

8 Could you please state your name and
9 responsibilities at Manitoba Hydro?

10 MR. MICHAEL DUDAR: Yes, good morning.
11 My name is Michael Dudar. I am the Division Manager of
12 the Industrial and Commercial Solutions Division at
13 Manitoba Hydro. I provide strategic direction and
14 leadership to a team of multi-disciplined technical and
15 business staff, responsible for natural gas and
16 electricity sales and customer service to industrial and
17 large commercial customers.

18 The departments in my division are also
19 responsible for the development, provision, and marketing
20 of industrial and commercial integrated energy efficiency
21 programs, power quality analysis, customer cited
22 alternative energy generation, renewable energy
23 utilization, and other energy related products and
24 services targeted at the industrial and large commercial
25 customers.

1 My engineering group also provides
2 technical support for all of Manitoba Hydro's Power Smart
3 programs.

4 MS. PATTI RAMAGE: Mr. Dudar, which
5 aspects of Manitoba Hydro's Energy Intensive Industrial
6 Rate Application were prepared by you, or under your
7 direction?

8 MR. MICHAEL DUDAR: I was principally
9 responsible for the design of the methodology for setting
10 and adjusting the customer baseline energy levels, and
11 billing protocol for the proposed rate. I prepared
12 portions of the Application, Information Request
13 responses, and rebuttal evidence dealing with those
14 aspects of the rate design.

15 In addition, I led the processes for
16 meeting with customers and stakeholders to explain the
17 proposed rate design, obtain their input, and integrate
18 suggested improvements from customers while attempting to
19 balance the achievement of Manitoba Hydro's rate
20 objectives, and a potential impact on industrial
21 customers and other ratepayers.

22 MS. PATTI RAMAGE: Mr. Dudar, Mr.
23 Chernick recommends that the PUB remove the growth
24 allowance. Can you comment on this recommendation?

25 MR. MICHAEL DUDAR: Manitoba Hydro

1 does not agree with Mr. Chernick's recommendation to
2 remove the growth allowance.

3 When Manitoba Hydro removed the
4 previous exemption clause for new customers, or customers
5 who were expanding and providing significant economic
6 benefits, another mechanism was required to minimize the
7 impact of the proposed rates on a provincial economy.
8 The inclusion of a gradual growth allowance that was
9 generally aligned with Manitoba Hydro's forecast of
10 overall -- overall load growth, was our attempt to
11 balance the need for some growth with the potential rate
12 impacts of rapid and unconstrained growth by a few
13 companies on other ratepayers.

14 Manitoba Hydro believes that this
15 balance has been achieved with the combination of the 3
16 percent, then lesser of 2 percent, annual growth
17 allowances with the 10 percent step advantage --
18 advancement in -- in growth, and provides most come --
19 customers with the ability to meet their current growth
20 plans. The in -- the inclusion of the fifteen hundred
21 (1,500) maximum cumulative upper limit also provides
22 ratepayers with some protection that the industrial
23 growth will be gradual, constrained to a pre-defined
24 maximum, thereby minimizing the potential rate impacts.

25 That's the end of my evidence.

1 MS. PATTI RAMAGE: Thank you, Mr.
2 Surminski (sic). And with that -- that concludes
3 Manitoba Hydro's direct evidence.

4 I did neglect to indicate, prior to
5 beginning, that Mr. David Cormie, whose CV was also
6 distributed, will -- is unable to attend today, but will
7 join us tomorrow. We aren't planning on -- on requesting
8 any direct evidence from Mr. Cormie, but I thought I
9 should get that on the record.

10 And I also realized I neglected to
11 introduce our back row when -- when I began, so I thought
12 I should advise, and we've already lost one, Mr. Terry
13 Miles. But Ms. Louella Harms, and Mr. Chic Thomas are in
14 our back row, along with Janet Mayor, who will be
15 assisting me as counsel at this hearing. Thank you.

16 THE CHAIRPERSON: Thank you, Ms.
17 Ramage. Before we begin the cross-examination, we will
18 take a break now. We will be back in fifteen (15)
19 minutes. Thank you.

20
21 --- Upon recessing at 10:43 a.m.

22 --- Upon resuming at 11:05 a.m.

23

24 THE CHAIRPERSON: Okay. Welcome back,
25 everyone. I understand that Mr. Williams -- do you have

1 -- do you have anything to add, sir?

2 MR. BYRON WILLIAMS: Not -- not at
3 this point in time; I might later on today.

4 THE CHAIRPERSON: Very good. Okay,
5 then we'll start the cross. I seem to be -- do I sound
6 like I'm echoing? It does to me, anyway. Anyway,
7 perhaps that's not a bad thing.

8 Okay, Mr. Peters, do you want to begin
9 the cross-examination?

10

11 CROSS-EXAMINATION BY MR. BOB PETERS:

12 MR. BOB PETERS: Yes, thank you, Mr.
13 Chairman. Good morning to the panel and a special
14 welcome to Mr. Dudar who I think is making his -- his --
15 one (1) of his first appearances, in any event, on the
16 front row.

17 Mr. Warden, you will know that on
18 behalf of the Board my questions are to elicit Manitoba
19 Hydro's answers, regardless of which witness is best able
20 to provide the answer?

21 MR. VINCE WARDEN: Yes.

22 MR. BOB PETERS: And as with many
23 hearings that come before this Board we get a new set of
24 terminology. And, Mr. Wiens, we may have touched on it
25 before and I heard it a little bit in some of the

1 evidence that you gave in direct to Ms. Ramage, when you
2 talk about heritage rates, baseline rates, embedded cost
3 rates, what you're referring to is the existing PUB
4 approved rates.

5 Would that be fair?

6 MR. ROBIN WIENS: That's correct.

7 MR. BOB PETERS: And those, you say,
8 are predominantly based on the embedded Cost of Service
9 Study that you prepare and that's why we call them
10 "embedded rates"?

11 MR. ROBIN WIENS: That's correct.

12 MR. BOB PETERS: And that's to be
13 contrasted with what this hearing will hear as a rate
14 above baseline, or marginal cost rate, or the new
15 proposed Energy Intensive Industry Rate?

16 MR. ROBIN WIENS: Yes.

17 MR. BOB PETERS: And when I use the
18 acronym CBEL, C-B-E-L, that is to talk about a customer's
19 baseline energy level that is to be determined by the
20 Company and the Corporation. And that's an important
21 distinction because below that level are the existing
22 PUB-approved rates, and above that would be -- the
23 customer would be exposed to paying the new proposed
24 Energy Intensive Rate.

25 Have I got that right?

1 MR. ROBIN WIENS: You do.

2 MR. BOB PETERS: And, panel members,
3 just perhaps a word of caution that none of my questions
4 are designed to elicit the specific name of any of the
5 customers involved. I'm not intending to put customer-
6 specific names on the record and if you feel that it
7 needs to be deviated from, perhaps I should discuss that
8 with your counsel at some point. Other counsel may have
9 a different approach, but nothing that I'm going to be
10 asking you -- will ask to disclose specific customer
11 names.

12 Is that acceptable?

13 MR. VINCE WARDEN: Yes.

14 MR. BOB PETERS: Thank you. In the
15 book of documents that you have, and if you had the
16 earlier version, the nice blue-covered one, or perhaps
17 Ms. Wallace has prepared her own again, but the
18 attachment, Tab 1, contains -- contains the attachment
19 out of Manitoba Hydro's application to this Board,
20 correct?

21 MR. ROBIN WIENS: Yes.

22 MR. BOB PETERS: And, Mr. Wiens, in
23 that Tab 1 of the book of documents, what you are
24 specifically asking this Board to approve as a result of
25 this hearing, are two (2) numbers on that page. One is

1 annual energy above baseline at four point eight eight
2 (4.88) cents per kilowatt hour, shown for customers who
3 are between 30 kV and not exceeding a hundred kV..

4 Is that correct?

5 MR. ROBIN WIENS: Yes.

6 MR. BOB PETERS: And then the other
7 number is the annual energy above baseline for large LGS
8 customers that exceed 100 kV, and that number is four
9 point seven nine (4.79) cents per kilowatt hour, correct?

10 MR. ROBIN WIENS: Yes.

11 MR. BOB PETERS: Now, in addition to
12 those numbers, Mr. Wiens, would it be correct to say that
13 Manitoba Hydro is also asking for approval of the other
14 pages that are included, and that -- that contains
15 information related to the terms and conditions, as it
16 were, that will go into -- go into the energy above
17 baseline rate?

18 MR. ROBIN WIENS: Yes, the
19 determination of the baseline is a part of the
20 application that we are asking this Board to approve.

21 MR. BOB PETERS: On the first page, or
22 page 1 of 3 of that -- of Attachment 1 and Tab 1 of the
23 book of documents, Mr. Wiens, the monthly billing demand
24 is calculated the same as it was at the GRA and you're
25 not asking for any change to that.

1 Is that correct?

2 MR. ROBIN WIENS: That's correct.

3 MR. BOB PETERS: And before I leave
4 the monthly billing demand, would it be correct that the
5 winter ratchet has minimal affect, maybe almost none, on
6 the customers in these subclasses of the General Service
7 Large class?

8 MR. ROBIN WIENS: I'd have to go back
9 and look at the numbers, Mr. Peters, but my recollection
10 is that it may have but it affects a relatively small
11 part of the load that's under discussion today.

12 MR. BOB PETERS: All right. And the
13 reason for that minimal impact, Mr. Wiens, would be
14 because there would be little variation in the monthly
15 consumption levels for these customers?

16 MR. ROBIN WIENS: In most cases that's
17 true.

18 MR. BOB PETERS: Does it follow then,
19 Mr. Wiens, that for the customers in these two (2)
20 subclasses that they would have little seasonal
21 fluctuations in their demand?

22 MR. ROBIN WIENS: For most of them
23 that would be true. There may be some seasonal
24 fluctuations for one (1) or two (2) of them.

25 MR. BOB PETERS: However, those

1 customers may have wide fluctuations in their time of
2 week, or even time of day demands?

3 MR. ROBIN WIENS: Some of them may be
4 variable over the time of day or the time of week, but I
5 think for the most part these are fairly steady loads.

6 MR. BOB PETERS: And, Mr. Wiens, I saw
7 My Friend, Ms. Ramage, trying to get your ear while I was
8 also fighting for it. In terms of what you're asking --
9 asking this Board to approve, Mr. Wiens, just in terms of
10 what you're asking this Board to approve, we've isolated
11 the two (2) rate numbers. And you've also indicated that
12 the additional pages in Attachment 1 go to the
13 applicability, the determination of the baseline, and the
14 -- how it's going to be billed; those are all integral
15 and part of what you're asking this Board to approve.

16 Have I got that right?

17 MR. ROBIN WIENS: Yes.

18 MR. BOB PETERS: I didn't include
19 Attachment 2, which was the customer baseline energy
20 level guidelines that was also included in your
21 attachment because I took that to be background
22 information that would be used in initially determining
23 the baselines and then allowing for the growth, but those
24 are -- those are also covered in the Attachment 1, as I
25 understood it?

1 MR. ROBIN WIENS: Yeah, the
2 Attachment 2 provides some procedural detail as to how we
3 would go about determining those guidelines. But the --
4 the fundamental criterion is that we are looking at the
5 highest consecutive twelve (12) months of use over the
6 three (3) year period ending March 31st, 2008.

7 MR. BOB PETERS: And one (1) of the
8 things that we're going to talk about when we look at
9 that first page of the book of documents Tab 1, that
10 there are two (2) subclasses to whom -- to who -- who
11 will be exposed to this new Energy Intensive Rate if --
12 it's approved by this Board, correct?

13 MR. ROBIN WIENS: That's correct.

14 MR. BOB PETERS: It doesn't apply and
15 it wouldn't apply to the LGS subclass of greater than 750
16 volts but less than 30 kV?

17 MR. ROBIN WIENS: That's correct.

18 MR. BOB PETERS: And that was a
19 conscious decision of the Corporation, in terms of how it
20 designed the energy intensive industry --

21 MR. ROBIN WIENS: Yes, it was.

22 MR. BOB PETERS: Mr. Wiens and Mr.
23 Warden, in the Chairman's opening comments he related
24 that this issue was one that came to the Board, maybe as
25 far back as -- as 2006, dealing with the Cost of Service

1 Study methodology hearing.

2 Do you recall that?

3 MR. ROBIN WIENS: I believe that would
4 have been the first time that -- entered into discussions
5 at proceedings before the Public Utilities Board.

6 MR. BOB PETERS: And in -- in looking
7 at the Board Oder, 117 of '06, that arose from that Cost
8 of Service Study methodology review, there's an
9 indication on page 54 -- and you don't need to turn it up
10 unless you have it handy -- that Hydro had a concern
11 related to energy consumption by energy intens --
12 intensive firms using energy as a manufacturing input.

13 Do you recall that?

14 MR. ROBIN WIENS: I do recall that,
15 yes.

16 MR. BOB PETERS: Was -- was your --
17 was your recollection, Mr. Wiens, that the concern of
18 Manitoba Hydro was only with firms using energy as a
19 manufacturing input at the time? Or was there a concern
20 with other -- other firms coming to Manitoba, perhaps to
21 set up shop, that may have been energy intensive in other
22 ways?

23 MR. ROBIN WIENS: I think that was --
24 that may have been the primary concern at the time, but
25 it was not the only concern.

1 MR. BOB PETERS: In Board order 117 of
2 '06, Mr. Warden and Mr. Wiens, one (1) of the indications
3 from the Board was that Manitoba Hydro should not only
4 report on this concern but they should establish a new
5 Energy Intensive Industry Class.

6 Do you recall that recommendation from
7 the Board?

8 MR. ROBIN WIENS: Yes, I do.

9 MR. BOB PETERS: We may have reviewed
10 that, Mr. Wiens, at the last GRA, but suffice it to say,
11 Manitoba Hydro has not seen fit to create a new class, in
12 and of itself, correct?

13 MR. ROBIN WIENS: That's correct. The
14 distinction is in the terms and conditions that apply to
15 the General Service Large rate.

16 MR. BOB PETERS: And in applying to
17 the General Service Large rate, it doesn't affect the
18 whole rate, it just affects the two (2) largest
19 subclasses of that rate?

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

21 MR. BOB PETERS: Mr. Wiens, can you
22 explain to the Board why perhaps a new class, in and of
23 itself, wasn't proposed, and isn't proposed?

24 MR. ROBIN WIENS: Well, I think the
25 proposal that you have before you here provides for the

1 same types of distinctions as would have existed if we
2 had proposed a new class.

3 MR. BOB PETERS: You're saying
4 nothing's to be gained by making a separate class out of
5 these customers; they can be -- they're --

6 MR. ROBIN WIENS: It -- it could be
7 done, but it would -- it would in effect be the same set
8 of terms and conditions that is being proposed here.

9 MR. BOB PETERS: The Chairman also
10 indicated that the Energy Intensive Rate proposal came up
11 at the General Rate Application that the Board heard
12 earlier this year, and ultimately it was withdrawn by the
13 Corporation for further consideration.

14 That's accurate as well?

15 MR. ROBIN WIENS: Yes.

16 MR. BOB PETERS: And I take it, since
17 the GRA, Mr. Wiens, and perhaps Mr. Dudar, Manitoba Hydro
18 has met with stakeholders and that has led to the revised
19 application that is before the Board?

20 MR. MICHAEL DUDAR: Yes, that's
21 correct.

22 MR. BOB PETERS: Something Mr. Warden
23 said in his direct evidence that caught my attention, and
24 that was that there have been extensive consultations
25 with industry and government.

1 Did I get that right, Mr. Warden?

2 MR. VINCE WARDEN: You did.

3 MR. BOB PETERS: There were
4 Information Requests on this topic as well, Mr. Warden,
5 so I just don't want to come at you from the blind-side
6 here and my recollection of -- and I will find if you ask
7 me to, the Information's Request about consultations with
8 Government, had an answer, to the effect, that Manitoba
9 Hydro's Board takes policy direction from government and
10 Manitoba Hydro's Board has approved this application to
11 the Board.

12 Do you recall that being essentially an
13 answer that was given?

14 MR. VINCE WARDEN: Yes, that answer
15 was given. Yes.

16 MR. BOB PETERS: I didn't take from
17 that answer, perhaps incorrectly on my part, that there
18 were actual discussions between Manitoba Hydro and
19 government that didn't go through the Manitoba Hydro
20 Board.

21 MR. VINCE WARDEN: Well, there were
22 discussions between the -- that I'm aware of, between the
23 Board Chair and the President and CEO of Manitoba Hydro,
24 with government.

25 MR. BOB PETERS: And can you indicate

1 the nature of those discussions to this Board?

2 MR. VINCE WARDEN: Not really. I'm
3 just aware that they -- they did take place and I
4 confirmed that with our President before the -- before
5 these proceedings.

6 MR. BOB PETERS: And your answers is
7 -- in that regard then, Mr. Warden, are to give this
8 Board an awareness that the Manitoba Government is aware
9 of, and I'll go so far as to suggest implicitly approves
10 of Manitoba Hydro's application to make an Energy
11 Intensive Rate Application to the Public Utilities Board?

12 MR. VINCE WARDEN: Yes. The -- the
13 Government supports Manitoba Hydro's application, as it
14 is before this Board.

15 MR. BOB PETERS: Well let's be clear.
16 The Manitoba Government doesn't necessarily approve the
17 specific rate, but you're saying -- or does it approve
18 the specific rate?

19 MR. VINCE WARDEN: No, they didn't
20 approve; they support.

21 MR. BOB PETERS: All right. They
22 support Manitoba Hydro coming before this Board with an
23 application to see if an Energy Intensive Industry Rate
24 is ultimately approved by this board?

25 MR. VINCE WARDEN: Absolutely, yes.

1 MR. BOB PETERS: Were those
2 discussions with Government, Mr. Warden -- as I
3 understand them, it was the CEO of Manitoba Hydro, the
4 President and CEO, as well as the Board Chair of Manitoba
5 Hydro, was -- were there any other stakeholders as part
6 of that discussion with government?

7 MR. VINCE WARDEN: Not that I'm aware
8 of, no.

9 MR. BOB PETERS: In Board Order 116 of
10 '08 which is at Tab 2 of the book of documents, some
11 extracts are provided, related to the energy intensive
12 industry rate, and on page 375 of Board Order 160 -- 116
13 of '08, there were some -- the Chairman called them in
14 his opening comments, suggestions, comments, directions
15 from this Board. And one of them was that there was a
16 concern -- I'm looking in the middle of the page -- about
17 use of forecast export prices, as opposed to actual, in
18 the determination of what a marginal cost rate would be.

19 Do we take then from that concern that
20 Hydro's solution is to use a proxy for marginal cost,
21 which is based on the historic two (2) year average of
22 firm export prices?

23 MR. ROBERT WIENS: That would be
24 correct.

25 MR. BOB PETERS: At the GRA hearing,

1 Mr. Wiens, and I don't want to go too far there, but it
2 was based on Manitoba Hydro's forecast of what future
3 export prices were going to be.

4 MR. ROBERT WIENS: Yes, it the -- the
5 rate itself, at that time, was based on the forecast for
6 the -- I believe it was 2008/2009 fiscal year.

7 MR. BOB PETERS: And the reason you're
8 not using a future or forecast year, Mr. Wiens, is
9 because of the apparent concerns about transparency and
10 determination.

11 Would that be fair?

12 MR. ROBIN WIENS: That's right.

13 MR. BOB PETERS: In the Board's Order
14 on the same page, of 375, of Order 116 of '08, the Board
15 was suggesting at least that Hydro explore other options,
16 and one (1) of them was to consider baseline and growth
17 allowance and whether new industry coming to Manitoba and
18 existing industry should get any growth allowance at
19 heritage rates.

20 We'll come to some of the specifics but
21 just while we're going through this, the present baseline
22 for existing customers is they get their existing
23 consumption at heritage rates?

24 MR. ROBIN WIENS: As defined in the
25 Application, as the -- as the highest twelve (12) months

1 consecutive usage during the three (3) year period prior
2 to March -- or April the 1st, 2008.

3 MR. BOB PETERS: Correct. So that,
4 Mr. Wiens, whatever a Manitoba based customer is, and was
5 using, prior to March 31st of '08, they get their highest
6 twelve (12) month average for the three (3) preceding
7 years.

8 MR. ROBIN WIENS: That's correct.

9 MR. BOB PETERS: And that will all be
10 at the heritage rate, or existing rate, or at the
11 embedded rate, as we've been calling it.

12 MR. ROBIN WIENS: That's correct.

13 MR. BOB PETERS: If a new customer
14 comes to Manitoba, as I understand your Application, that
15 new customer will also get heritage rates on their first
16 100 gigawatt hours of consumption, per year.

17 MR. ROBIN WIENS: That's correct.

18 MR. BOB PETERS: In your direct
19 evidence -- I think it might have been Mr. Warden, but
20 it's for anyone to -- to certainly answer -- the 100
21 gigawatt hour threshold, or the start of the baseline for
22 new customers, that was derived by Hydro, essentially
23 concluding that nobody was coming to Manitoba lower than,
24 and that was causing the problem that you're before the
25 Board on?

1 MR. VINCE WARDEN: Well, the concern
2 that we're bringing to this Board is the -- the largest
3 customer -- that is defined by those customers that use
4 100 gigawatt hours and higher during the year.

5 MR. BOB PETERS: But the level was
6 set, Mr. Warden, at one hundred (100) because Manitoba
7 Hydro doesn't think there's a problem, or a -- a
8 considerable use below that limit by new customers coming
9 to Manitoba.

10 MR. VINCE WARDEN: We believe the new
11 customers coming to Manitoba below that level are -- are
12 certainly -- the growth of those customers is certainly
13 manageable by Manitoba Hydro with its existing end plant
14 facilities.

15 MR. BOB PETERS: But those customers
16 can grow up to 100 gigawatt hours a year, without facing
17 the marginal cost proxy rate.

18 MR. VINCE WARDEN: That's right.

19

20

21 (BRIEF PAUSE)

22

23 MR. BOB PETERS: In addition to the
24 baseline, both existing and new customers are at least
25 notionally entitled to a growth allowance.

1 Is that right?

2 MR. VINCE WARDEN: That's right.

3 MR. BOB PETERS: And I heard, Mr. --
4 Mr. Warden, you talked about your largest customer at a
5 certain energy consumption level currently, that probably
6 means that customer won't be allowed to take advantage of
7 growth allowance.

8 Is that also factually correct?

9 MR. VINCE WARDEN: Well, the -- the
10 baseline has not, to my knowledge, been established for
11 that customer yet, so the baseline would take -- take
12 into account not only the consumption during the previous
13 three (3) fiscal years, but also any energy savings that
14 have been realized through Power Smart initiatives and
15 other environmental initiatives.

16 So the baseline could be considerably
17 lower than the actual consumption during that period, and
18 still be below the 1,500 gigawatt hour threshold.

19 MR. BOB PETERS: Well, all customers
20 of Manitoba Hydro are presently below the 1,500 gigawatt
21 hour a year threshold, correct?

22 MR. VINCE WARDEN: Yes, I think we
23 were referring though to the one that is just below.

24 MR. BOB PETERS: All right. What
25 you're telling the Board is that for -- for that

1 particularly large customer that you've characterized as
2 your largest, their baseline would be -- would still have
3 to be calculated, based on energy efficiency solutions
4 and Power Smart initiatives that they've undertaken in
5 the past?

6

7

8 (BRIEF PAUSE)

9

10 MR. VINCE WARDEN: I was just
11 clarifying as to whether or not that baseline has been
12 established yet, and I -- I'm informed that it in fact
13 has.

14

15

16 (BRIEF PAUSE)

17

18 MR. VINCE WARDEN: So there would be
19 some growth below the fifteen hundred (1,500) cap for
20 that largest customer.

21 MR. BOB PETERS: Would that customer -
22 - would that customer be given credit for all of the
23 Energy Intensive Industry -- sorry, all of the energy
24 intensive equipment and programs that they took, pursuant
25 to government direction or regulation?

1 Mr. Dudar, do you have...?

2 MR. MICHAEL DUDAR: No -- no, they
3 wouldn't. They -- they would reach the 1,500 gigawatt
4 hour cap before they were given credit for all their past
5 energy savings.

6 MR. BOB PETERS: Does it follow then,
7 Mr. Dudar, that if that customer is at the cap presently
8 -- I -- I take it then that the cap for this one (1)
9 customer -- I take it that the -- the baseline for this
10 one (1) customer that we're talking about, as we sit
11 here today, is 1,500 -- 1,500 gigawatt hours a year?

12 MR. MICHAEL DUDAR: That -- that would
13 be the -- correct.

14 MR. BOB PETERS: They're up against
15 it, as it were?

16 MR. MICHAEL DUDAR: Correct.

17 MR. BOB PETERS: Which means they
18 won't get growth allowance in future years credited to
19 their baseline?

20 MR. MICHAEL DUDAR: That's correct.

21 MR. BOB PETERS: And not only won't
22 they get growth allowance, they won't get future energy
23 intensive or Power Smart -- sorry, energy efficient
24 equipment implementations credited to them?

25 MR. MICHAEL DUDAR: The -- the Power

1 Smart credits only apply to previous energy efficiency
2 projects; any new ones would be -- would serve to reduce
3 their energy -- annual energy consumption.

4 MR. BOB PETERS: All right. Thank
5 you. And that's a point that I'll -- I do have note --
6 later in my notes, and you've made it more clearly than I
7 have, Mr. Dudar, that once you set the baseline for these
8 customers there is no future credit for any future Power
9 Smart actions by that customer?

10 MR. MICHAEL DUDAR: Not to the
11 baseline.

12 MR. BOB PETERS: The only credit they
13 get is on their energy bill?

14 MR. MICHAEL DUDAR: That's correct.

15 MR. BOB PETERS: And that's a credit
16 on their energy bill for lower -- they -- they won't have
17 to face necessarily a higher rate if they stay below the
18 -- the baseline that they've established?

19 MR. MICHAEL DUDAR: That's correct,
20 and -- and they can -- if they reduce their energy
21 consumption through efficiency projects, they could use
22 that to grow or expand their business before they reach
23 the -- the baseline level again.

24 MR. BOB PETERS: So while they won't
25 be getting credit for it by increasing their baseline,

1 they'll have their own internally managed baseline that
2 they can work with?

3 MR. MICHAEL DUDAR: That's correct.

4 MR. BOB PETERS: There's no exemption
5 criteria in this proposal, is there?

6 MR. ROBIN WIENS: No, there are not.

7 MR. BOB PETERS: And why -- why were
8 those removed?

9 MR. ROBIN WIENS: I think as -- as
10 we've stated in the response -- one (1) or more of the
11 responses or more than one (1) of the responses to the
12 Information Requests, we heard the concerns expressed by
13 stakeholders about the issues related to evaluating
14 economic benefits, and for that reason we presented this
15 new proposal without reference to them.

16 MR. BOB PETERS: Manitoba Hydro wasn't
17 comfortable being the one to determine which industries
18 and which growth was good for the province, as opposed to
19 bad for the province.

20 Would that be fair?

21 MR. VINCE WARDEN: That's fair, yes.

22 MR. BOB PETERS: And this new proposal
23 attempts to take that subjectivity out of it somewhat and
24 provide a more mathematical determination, albeit there
25 be some subjectivity still in this determination?

1 some judgment involved, yes, in determining what that
2 criteria should be.

3 MR. BOB PETERS: Before I leave the
4 growth allowance point that the Board had in its Order
5 116/'08, new companies coming to Manitoba that are served
6 at energy greater than 30 kV but used less than 100
7 gigawatt hours a year, essentially, have unlimited growth
8 until they reach the 100 gigawatt hours a year threshold.

9 MR. VINCE WARDEN: Correct.

10 MR. BOB PETERS: And that unlimited
11 growth that they will enjoy will be based at the existing
12 embedded or heritage rates as we're calling them?

13 MR. VINCE WARDEN: Yes. Or any future
14 rates that might be applied to that current rate.

15 MR. BOB PETERS: Meaning any
16 subsequent rate adjustments by this Board?

17 MR. VINCE WARDEN: Correct.

18 MR. BOB PETERS: From a conceptual
19 basis, Mr. Warden, why would you allow a new company
20 coming to Manitoba that is currently under 100 gigawatt
21 hours a year to have, essentially, unlimited growth until
22 they get to 100 gigawatt hours a year, but for the large
23 customer, and you've identified one, that's up against
24 the cap now, that customer that -- that's in Manitoba
25 gets zero growth?

1 MR. VINCE WARDEN: Well, again, we're
2 not -- we're definitely not trying to stifle growth
3 within the province by any means. We are attempting to
4 address an issue, as we've described in our application.

5 MR. BOB PETERS: Would it be
6 mathematically possible, Mr. Warden, that the new
7 customers to Manitoba that use less than a hundred
8 gigawatt hours will grow to such an extent more than what
9 the largest customer would?

10

11

12 (BRIEF PAUSE)

13

14 MR. VINCE WARDEN: I guess first of
15 all, I -- I would respond, Mr. Peters, that we're not
16 aware of a large influx of customers coming to Manitoba
17 of that order of magnitude. If that were to happen, you
18 know, there might be -- have to be some steps taken to
19 address that at some future point but we don't see that.
20 We're addressing a circumstance that we see before us
21 today.

22

23 MR. BOB PETERS: On that point, Mr.
24 Warden, would I have it correct that in your application
25 and answers to Information Requests, Manitoba Hydro is
aware of only one (1) customer in the last ten (10) years

1 that has come to Manitoba greater than 100 gigawatt hours
2 a year?

3

4

5

6 (BRIEF PAUSE)

7

8 MR. ROBIN WIENS: Mr. Peters, subject
9 to check, I think that's correct.

10 MR. BOB PETERS: All right. I
11 appreciate your taking it that way, Mr. Wiens. If I can
12 find the -- the Information Request at the break I'll
13 notify your counsel as well.

14 Mr. Wiens, while there may have been
15 one (1) customer in the last ten (10) years that have
16 come -- that has come to Manitoba that would be exposed
17 immediately to the energy intensive industry rate you're
18 proposing, is it also correct that in the next ten (10)
19 years you're forecasting that maybe only one (1) such
20 customer will also come to Manitoba?

21

22

23 (BRIEF PAUSE)

24

25 MR. ROBIN WIENS: Mr. Peters, I

1 believe that's correct. When we look at load expansion
2 going forward for larger customers, we do make provision
3 in our load forecast because this has historically
4 happened in the past that additional larger customers
5 will arrive in -- in Manitoba. Whether that's
6 specifically one (1) or two (2) or three (3), we're
7 looking more at the amount of load rather than the amount
8 of customers when we -- when we look forward.

9 MR. BOB PETERS: But -- but what I
10 can't understand with that answer then, Mr. Wiens, is if
11 you're looking at the load you're allowing new customers
12 to come to Manitoba less than a hundred gigawatt hours a
13 year in consumption and have unlimited growth, whatever
14 that load growth would be -- but measured against
15 existing customers they don't necessarily get the same
16 opportunity for load growth?

17 MR. ROBIN WIENS: Mr. Peters, existing
18 customers under 100 gigawatt hours are treated the same
19 way as new customers that come in under 100 gigawatt
20 hours.

21 MR. BOB PETERS: Okay. I was
22 referring to the unlimited growth that new customers
23 under 100 gigawatt hours could have compared to an
24 existing customer who is up against the cap wouldn't get
25 load growth.

1 MR. ROBIN WIENS: That -- that would
2 be correct but your reference to unlimited load growth,
3 the customer comes in at very small levels that -- that
4 don't raise a particular concern they may have what you
5 referred to as unlimited load growth.

6 But if they're coming in with anything
7 that's close to the 100 gigawatt hours, I wouldn't
8 characterize that as unlimited.

9 MR. VINCE WARDEN: And of course
10 remembering that that 1500 customer that's up against the
11 cap is getting 1500 gigawatt hours of energy at heritage
12 -- very low embedded cost rates.

13 MR. BOB PETERS: The same rates that
14 the new customer coming to Manitoba under 100 gigawatt
15 hours would get?

16 MR. VINCE WARDEN: Yes. Just
17 conservatively more.

18 MR. BOB PETERS: More in volume, same
19 price.

20 MR. VINCE WARDEN: Correct.

21 MR. BOB PETERS: One of the concerns
22 the Board had in Order 116/'08 was that the data that
23 Manitoba Hydro use in its application be transparent and
24 not protected by a claim of confidentiality.

25 And, Mr. Wiens, I think you told me

1 that was one (1) of the reasons why you used the historic
2 firm export average for the last two (2) years. Correct?

3 MR. ROBIN WIENS: That's correct.

4 MR. BOB PETERS: If information is on
5 the public record in some jurisdiction other than
6 Manitoba, does Manitoba Hydro have a concern about the
7 confidentiality of that and disclosing it in Manitoba?

8

9

10 (BRIEF PAUSE)

11

12 MR. HAROLD SURMINSKI: Manitoba Hydro
13 does not have an issue with using such information. The
14 difficulty and CMU would be referring to NEB as -- as one
15 (1) source, the difficulty with that information is
16 interpreting what it is exactly.

17 It -- that information is given by
18 permit number and it's very confusing to -- to analyse
19 and make sense of what it really represents.

20 MR. BOB PETERS: I take your
21 qualification on that, Mr. Surminski, but I also
22 understand your answer to be that if it's on the public
23 record somewhere else, there's no reason it can't be on
24 the public record in Manitoba.

25 MR. HAROLD SURMINSKI: Yes, that's

1 correct.

2 MR. BOB PETERS: Are Manitoba Hydro's
3 export contracts on the public record in other
4 jurisdictions?

5

6

7

(BRIEF PAUSE)

8

9 MR. HAROLD SURMINSKI: We do not
10 believe they are.

11 MR. BOB PETERS: But again, if one of
12 your counter parties to an export contract put it on the
13 public record in their jurisdiction, there would be no
14 objection from Manitoba Hydro to having that same
15 document on the public record in Manitoba?

16

17

18

(BRIEF PAUSE)

19

20 MS. PATTI RAMAGE: Mr. Peters, maybe I
21 can provide some assistance here. I think it would
22 depend on how it's on the public record elsewhere, what
23 information is identified and what safeguards are taken
24 into account to put it on the record.

25

The fact that a document is on the

1 public record doesn't necessarily disclose all the
2 details behind that information and I think that's what
3 we're struggling with here.

4

5 CONTINUED BY MR. BOB PETERS:

6 MR. BOB PETERS: All right thank you
7 for that -- the clarification, Ms. Ramage.

8 If a document -- let me give a
9 hypothetical, is on a public record in a proceeding
10 before the Utilities Commission in, let's say, the State
11 of Minnesota, can that same document be disclosed in
12 Manitoba without any concerns of confidentiality?

13

14

15 (BRIEF PAUSE)

16

17 MS. PATTI RAMAGE: Mr. Peters, it
18 might be better to save this line of questioning for Mr.
19 Cormie.

20 I'm not attempting to give evidence but
21 it's my understanding, for example in Minnesota, that
22 while the existence of our -- of a contract may be on the
23 public record with their PUC, an extensive process is in
24 place to ensure that the details of that document remain
25 confidential.

1 MR. BOB PETERS: Are --

2 MS. PATTI RAMAGE: So it -- it goes to
3 the question of whether the document's on the record
4 versus the details of the document.

5

6 CONTINUED BY MR. BOB PETERS:

7 MR. BOB PETERS: And -- and my
8 question -- to be more specific, Ms. Ramage, and we can
9 defer it to Mr. Cormie's arrival, is if the physical
10 document is filed as an exhibit in a -- in another
11 jurisdiction on the public record, can that same physical
12 document be utilized in Manitoba without the claim of
13 confidentiality by the Utility?

14 MR. VINCE WARDEN: That would seem
15 reasonable, Mr. Peters.

16 MR. BOB PETERS: All right. And Ms.
17 Ramage raised some in -- some points that may clarify
18 that, but thank you for that answer.

19 In terms of the Board Order 116/'08,
20 Mr. Wiens, the Board thought that time-of-use
21 alternatives and variations to reflect the different
22 values of energy at different times might be a useful
23 component of an Energy Intensive Industry Rate.

24 You've indicated that there is no time-
25 of-use component to this rate, and I took from your

1 answer to Ms. Ramage primarily because Manitoba Hydro
2 needs more time.

3 MR. ROBIN WIENS: That is correct.

4 MR. BOB PETERS: And is it something
5 that you are working on presently, or is it something
6 that you will put on the to-do list to -- to start
7 working on for perhaps the next rate filing?

8 MR. ROBIN WIENS: I will say that it
9 is something that we have had discussions about from time
10 to time. We have not got to the point where we're
11 working on any kind of details related to it.

12 It's something that we would certainly
13 like to consider between now and the filing of the next
14 General Rate Application.

15 MR. BOB PETERS: Perhaps at the base
16 of this is something that I'll deal with certainly after
17 lunch, I hope, with Mr. Surminski and that is the
18 suggestion that Manitoba Hydro's energy -- Manitoba
19 Hydro's firm energy has different values at different
20 times.

21 And I'm not sure, do you agree with
22 that, Mr. Surminski?

23 MR. HAROLD SURMINSKI: I'm not sure
24 exactly what you mean by "different times."

25 MR. BOB PETERS: All right. Let me --

1 let me be clear -- more clear.

2 What about Manitoba Hydro's firm energy
3 has different values first based on the time of day and,
4 second, based on seasonal values.

5 MR. HAROLD SURMINSKI: If the energy -
6 - if -- if you treat it as hour by hour as it occurs, it
7 has different value, but Manitoba Hydro's capability to -
8 - to move that energy around comes into play also.

9 So it's not that -- that easy to say
10 just because a MISO value is -- is thirty dollars (\$30)
11 in the off peak that that is the value of that energy to
12 Manitoba Hydro.

13 MR. BOB PETERS: It is the value to
14 Manitoba Hydro if you make a sale at thirty dollars
15 (\$30).

16 MR. HAROLD SURMINSKI: It is if you do
17 it in that hour, yes --

18 MR. BOB PETERS: Okay.

19 MR. HAROLD SURMINSKI: -- but if you
20 save it in reservoirs, it has some different value.

21 MR. BOB PETERS: And that will depend
22 on when you sell it out of the reservoir.

23 MR. HAROLD SURMINSKI: That's correct.

24 MR. BOB PETERS: Just a thought that
25 came to me which I probably should think about more

1 before I ask you, but I won't.

2 When you put water behind a dam, it's
3 fungible. You have no way of knowing if that was water
4 that was saved from generating firm energy for a
5 residential customer, or for an industrial customer?

6 MR. HAROLD SURMINSKI: Yes, certainly
7 that's the case --

8 MR. BOB PETERS: All right.

9 MR. HAROLD SURMINSKI: -- and there's
10 no differentiation.

11 MR. BOB PETERS: And in terms of if
12 you do put that saved energy behind a dam, you really
13 have no way of knowing when exactly you're going to use
14 that saved energy. All you know is you have it
15 potentially available behind the dam for future use.

16 MR. VINCE WARDEN: Yes, that's
17 correct.

18 MR. BOB PETERS: One (1) of the
19 suggestions again from the Board arising from Order 116
20 of '08 was to keep the overall implications of this --
21 any Energy Intensive Industry Rate proposal revenue-
22 neutral.

23 Mr. Warden, you're the keeper of the
24 chequebook, is this revenue-neutral?

25 MR. VINCE WARDEN: The intent is to

1 make it revenue-neutral.

2 MR. ROBERT MAYER: I'm having a little
3 trouble with this. If you aren't moving the first block
4 rate, because that's already set, and you're putting in a
5 second block rate that's' going to add to your revenue,
6 I'm a lawyer, not an accountant, but that strikes me that
7 that can't happen -- that can't possibly be revenue-
8 neutral.

9 MR. VINCE WARDEN: Well, it won't be -
10 - it certainly won't be revenue-neutral to the individual
11 customer. Is that your point, Mr. Mayer?

12 The -- I interpreted Mr. Peter's
13 question: Is it revenue-neutral to the Corporation?

14 MR. ROBERT MAYER: I -- I don't
15 understand how it could be revenue-neutral to the
16 Corporation if there's no reduction somewhere when you're
17 bringing in more money.

18 MR. VINCE WARDEN: Well, the -- the
19 offset is between domestic and extraprovincial revenues.
20 And is it a perfect offset? The intent is for it to be,
21 but due to the -- the way -- the construct and the --
22 and the growth allowances that we built into this, it's
23 an offset in theory only.

24

25 CONTINUED BY MR. BOB PETERS:

1 MR. BOB PETERS: Would it be correct,
2 Mr. Warden, that in defining revenue-neutral, in the
3 context of the proposal before the Board, Manitoba Hydro
4 is suggesting that there's no increase in revenues from
5 the Energy Intensive Industry Rate, than what Manitoba
6 Hydro would otherwise receive if it had exported that
7 energy as above-baseline energy?

8 MR. VINCE WARDEN: Again, Mr. Peters,
9 that is the objective, yes.

10 MR. BOB PETERS: All right. One (1)
11 of the other suggestions on page 376 of Order 116 of '08
12 was whether or not the specific industries that were
13 discussed at the GRA should be targeted, or whether the
14 concern is best addressed across the entire class or
15 perhaps all classes served by Manitoba Hydro.

16 Do you recall that passage? And it's
17 found on page 376 of Tab 2 of the book of documents?

18 MR. ROBIN WIENS: Oh, yes, we recall
19 that passage, Mr. Peters.

20 MR. BOB PETERS: It's correct to say as
21 you've told me, I think, already, Mr. Wiens, that this is
22 not a rate that is for the entire General Service Large
23 class; it's just for two (2) subclasses, correct?

24 MR. ROBIN WIENS: That's right. It
25 affects two (2) subclasses and potentially affects what

1 now constitutes about 94 percent of the load served for
2 those two (2) subclasses.

3 MR. BOB PETERS: Is that 94 percent of
4 the load of just the two (2) subclasses or the entire GLS
5 class?

6 MR. ROBIN WIENS: Of the two (2)
7 subclasses.

8 MR. BOB PETERS: And in terms of
9 designing a solution or a rate that addressed and
10 included all classes, that's not presently considered by
11 Manitoba Hydro?

12 MR. ROBIN WIENS: That's not in this
13 application, that's correct.

14 MR. BOB PETERS: That's not to say a
15 solution that included all classes couldn't have been
16 developed.

17 Is that correct?

18 MR. ROBIN WIENS: A more generalized
19 solution could have been developed. We did not believe
20 that we could develop it in time for this application.

21 MR. BOB PETERS: Fair enough. Would
22 it be correct that the -- that the solution to-date by
23 Manitoba Hydro, has been to bring individual customer
24 classes growth issues and the costs that go with them to
25 the Board in a General Rate Application, where all

1 classes would receive rate adjustments?

2 MR. ROBIN WIENS: Well, in that
3 situation, Mr. Peters, it's a question of the Corporation
4 requiring additional revenue to meet its revenue
5 requirement, and those rate increases are generally
6 applied to all classes of service. It's not a specific
7 intent to address issues of growth; it's an intent to
8 obtain the revenue that the Corporation needs.

9 MR. BOB PETERS: An important
10 clarification -- or qualification, Mr. Wiens, in terms of
11 being requirement for revenue requirement.

12 But heretofore the solution by Manitoba
13 Hydro has been to bring a General Rate Application which
14 would encompass the very issues that you're now bringing
15 on this Application.

16 MR. ROBIN WIENS: Yeah. That's
17 correct, to the extent that an additional revenue
18 requirement is driven by certain domestic customer load
19 expansions and the effect on export revenues, then a
20 General Rate Application may reflect in some degree those
21 considerations.

22 MR. BOB PETERS: It has not expressly
23 been done in past, as it is being done now?

24 MR. ROBIN WIENS: That's correct.

25 MR. BOB PETERS: So in past, the Board

1 really won't know whether it was residential rate,
2 residential load growth, General Service Small or Medium
3 load growth, or General Service Large load growth, that
4 was driving any particular aspect of a General Rate
5 Application.

6 MR. ROBIN WIENS: Only to the extent
7 that Manitoba Hydro's provided information pertaining to
8 those impacts which was done in the most recent General
9 Rate Application, but not the General Rate Application
10 prior to that.

11 MR. BOB PETERS: One (1) of the
12 concerns the Board raised on page 377 of Order 116 of '08
13 -- and I'm approximately in the middle of the page, at
14 the top; go down about a third -- there was concern about
15 whether an energy intensive industry rate would
16 discourage the further growth of existing industries.

17 Do you see that?

18 MR. ROBIN WIENS: Yes, I do.

19 MR. BOB PETERS: Not -- not putting it
20 in a pejorative way at all, Mr. Wiens, but isn't that, in
21 essence, what the intention is of the Energy Intensive
22 Industry Rate proposal before this Board, as you want to
23 discourage in a polite way, growth of existing industries
24 above their baseline?

25 MR. VINCE WARDEN: No. No, we're not

1 -- we're definitely not trying to discourage. We just
2 want to be compensated for that growth at the rates we --
3 or revenue we would receive from the export market.

4 MR. BOB PETERS: And that's revenue
5 from the export market, whether or not there's a revenue
6 requirement need for it?

7 MR. VINCE WARDEN: Well, there's --
8 there's always a need. I mean we have to balance our
9 books and that's what we use to balance with, is the --
10 the export revenue is -- is -- has been referred to in
11 previous proceedings as the subsidy that's used to
12 balance the -- the rates of other consumers.

13 MR. BOB PETERS: You would agree with
14 me that facing a second tier rate, an inverted rate, an
15 inclining rate whatever we're going to call it, this
16 Energy Intensive Industry Rate is to send a signal to
17 customers that if they grow there's a financial cost to
18 that growth over and above what they're presently
19 experiencing for their energy?

20 MR. VINCE WARDEN: Well, it is
21 definitely there to send a price signal that that energy
22 -- that energy growth has value -- value to Manitoba
23 Hydro, over and above the heritage rates that they're
24 currently being billed.

25 MR. BOB PETERS: And if that -- if

1 that price signal discourages expansion or discourages a
2 company from growing here in Manitoba, that's
3 unfortunate, but that's a reality?

4 MR. VINCE WARDEN: Well, the -- the
5 rate that has been designed is to reflect the -- the cost
6 of providing that -- that service to that customer. And
7 if -- if that discourages that customer to grow in
8 Manitoba then that is in fact the reality, yes.

9 MR. BOB PETERS: One (1) of the
10 comments the Board also made just following that, is that
11 if an industry added work shifts it could attract
12 substantially higher energy prices in addition to shift
13 premium payroll costs, even though this growth might well
14 be employing off-peak energy, that being of low value, as
15 an export product.

16 Do you see that comment, Mr. Warden?

17 MR. VINCE WARDEN: Yes, I do.

18 MR. BOB PETERS: Does Manitoba Hydro
19 disagree then that by an expanding industry having to pay
20 the Energy Intensive Industry Rate that's proposed and --
21 that they may be in fact using off-peak energy?

22 MR. VINCE WARDEN: Well, I -- I think
23 that does, in fact, get into the points that Mr. Wiens
24 raised earlier, and that is an issue that does require
25 considerably more review by Manitoba Hydro and

1 consultation with our customers.

2 MR. BOB PETERS: And therefore,
3 there's no time-of-use component available to be, either
4 incorporated into or made optional with respect to the
5 proposal before the Board?

6 MR. VINCE WARDEN: Not at this time.
7 Not in proposal before the Board, that's right.

8 MR. BOB PETERS: Do I take from that
9 answer that at the next rate hearing, the time-of-use
10 will be brought forward specifically if you're successful
11 on this rate application, as applicable to an Energy
12 Intensive Industry Rate?

13 MR. VINCE WARDEN: The time-of-use
14 issue is -- is a priority issue for Manitoba Hydro, and
15 obviously to this Board as well, and it's something we
16 will be, over the next several months, taking a very
17 close look at.

18

19

20 (BRIEF PAUSE)

21

22 MR. BOB PETERS: Just before we
23 conclude at lunch time, Mr. Wiens, in your direct
24 evidence with Ms. Ramage you provided some information
25 about the Service Extension Policy.

1 MR. ROBIN WIENS: Yes?

2 MR. BOB PETERS: And I perhaps wasn't
3 quick enough in my notations, but I understood that you
4 had quantified the impact of the Service Extension
5 Policy, both before and after it was discontinued for the
6 General Service Large class.

7 MR. ROBIN WIENS: No that's -- that's
8 not quite correct. What -- what I quantified, and -- and
9 that quantification referred to information that we were
10 able to develop at that time, which is going back to
11 2005, is that if we were to extend new services to a load
12 that is of the magnitude of the chlorate and pipeline
13 facilities were at that time, that that is the type of
14 impact that new load would have had on Manitoba Hydro's
15 revenues.

16 MR. BOB PETERS: All right. So your
17 answer was, based on your forecast back in 2005, there
18 would have been a financial consequence to the
19 Corporation of \$55 million?

20 MR. ROBIN WIENS: Annually.

21 MR. BOB PETERS: For how many years?

22 MR. ROBIN WIENS: We looked -- we
23 discounted it over a thirty (30) year period.

24 MR. BOB PETERS: That was \$55 million
25 annually out for thirty (30) years, and then --

1 MR. ROBIN WIENS: That's --

2 MR. BOB PETERS: -- present val --

3 MR. ROBIN WIENS: -- that's correct.

4 MR. BOB PETERS: And -- and what did
5 you -- what was your present value?

6 MR. ROBIN WIENS: 700 million, odd.

7 MR. BOB PETERS: And that was -- and -
8 - and that was to serve just two (2) categories of
9 customers in the GS Large class?

10 MR. ROBIN WIENS: Right. But it --
11 what it -- what it assumed was that we had to extend new
12 service to new loads, of the magnitude that the chlorate
13 and pipeline industries in the province were at that
14 time.

15 MR. BOB PETERS: In your
16 qualification, Mr. Wiens, do you know in fact if you
17 would have had to extend new service or would you be able
18 to just upgrade what you had? Was that analysis done?

19 MR. ROBIN WIENS: That analysis is
20 done whenever we have a request to connect new loads, Mr.
21 Peters, and in some cases it does require upgrades and in
22 other cases it doesn't.

23 MR. BOB PETERS: So you may not have
24 had to expend that kind of money?

25 MR. ROBIN WIENS: If we're to assume

1 that that was new load coming on at that time and we did
2 not have facilities in place at that time, definitely we
3 would have had to extend new facilities.

4 But most of that cost does not relate
5 to the new facilities, i.e., the transmission facilities.
6 Most of it relates to the fact that this is requiring new
7 amounts of energy, and those amounts of energy either
8 come off at -- potential export sales that Manitoba
9 Hydro could make, or require new generation to be put in
10 place to serve them. The facilities themselves are a
11 relatively modest part of cost, when you look at it over
12 a thirty (30) year period.

13 MR. BOB PETERS: Mr. Wiens, with the
14 apparent precision that you provided that information,
15 have you got some written information that you could
16 provide to the Board, by way of undertaking, that would
17 show how you derived that information?

18 MR. ROBIN WIENS: I -- I would have to
19 go back into my files but I think we probably find that.

20 MR. BOB PETERS: Thank you.

21 MS. PATTI RAMAGE: That would be an
22 undertaking, Mr. Peters?

23 MR. BOB PETERS: Yes, and thank you,
24 Ms. Ramage.

25

1 --- UNDERTAKING NO. 1: Manitoba Hydro to indicate
2 how they arrived at
3 conclusions concerning
4 whether they would extend new
5 service or would they upgrade
6 what they already have
7

8 MR. BOB PETERS: Mr. Chairman, perhaps
9 in light of the hour, this might be an appropriate time
10 to take the lunch recess?

11 THE CHAIRPERSON: Yes, I think so.
12 We'll be back at --

13 MR. JOHN LANDRY: Mr. Chairman, I
14 wonder if I could just bring up one (1) point that might
15 be helpful, in terms of trying to move this along a
16 little bit.

17 I note, and if I'm wrong I can be
18 corrected, so that a number of the witnesses this morning
19 read from prepared text in -- in giving their direct
20 evidence, which is -- which is completely appropriate.
21 I'm not -- I'm not taking issue with that, but I wonder
22 if we might be able to get a copy of the -- of that,
23 because obviously there was a fair amount of new evidence
24 in relation to time-of-use and service extension policy,
25 so...

1 THE CHAIRPERSON: Well, we're going to
2 have the transcript at the end of the day; it's usually
3 available tomorrow, isn't it? It's going to be on the
4 website.

5 MR. JOHN LANDRY: I guess -- I guess
6 my --

7 MS. PATTI RAMAGE: It's put up on the
8 PUB's website, not Manitoba Hydro's.

9 THE CHAIRPERSON: Yeah, but I think it
10 goes up tonight, if I recall properly, or -- oh, it won't
11 be up until tomorrow, Mr. Gaudreau tells us.

12 MR. BOB PETERS: Mr. Chairman, perhaps
13 I can make an inquiry over the lunch hour. We might be
14 able to get an extract from the transcript or -- I won't
15 make any commitments, but we'll investigate that and
16 maybe we can assist Mr. Landry.

17 MR. ROBERT MAYER: Just a minute. I'm
18 hearing somebody asking for a copy of something that
19 already exists and all it needs is a photocopy machine.

20 Is that -- that's correct, isn't it?

21 MR. JOHN LANDRY: Well, that's what I
22 was hoping, but again I -- I just saw it. I'm not sure
23 that it was happening in that way so...

24 MS. PATTI RAMAGE: Unfortunate -- it -
25 - the prepared text and what is actually verbalized are

1 not necessarily the same things; they have scribbles all
2 over and notes added. So we wouldn't be able to just
3 reproduce what was said. The best reproduction would
4 come from the court reporter.

5 THE CHAIRPERSON: That was -- I was
6 speculating, too. I'll leave Mr. Peters and Mr. Landry
7 to consult over the lunch hour. We'll be back at 1:15.

8 MR. JOHN LANDRY: Thank you.

9
10 --- Upon recessing at 12:06 p.m.

11 --- Upon resuming at 1:19 p.m.

12
13 THE CHAIRPERSON: Okay, welcome back
14 everyone. I still hear a distinct echo but we're not
15 quite sure where that's coming from but -- where we left
16 off was Board counsel was grilling the panel, so, if you
17 want to take up again, Mr. Peters.

18 MR. BOB PETERS: Thank you, Mr. Chairman.
19 There was also an effort made over the lunch hour to
20 assist Mr. Landry with extracts from the direct evidence
21 provided by one of Ms. Ramage's witnesses, I take it
22 that's still forthcoming?

23 MS. PATTI RAMAGE: That would -- we still
24 need to review. We're cutting and pasting to put
25 something together.

1

2 CONTINUED BY MR. BOB PETERS:

3 MR. BOB PETERS: All right, understood.
4 And, Mr. Wiens, just to -- to ask a question without the
5 benefit of that in front of me, I had understood when you
6 were answering previous questions that the service
7 extension policy was discontinued to any customer who
8 would come into the GSL, that is General Service Large,
9 greater than 30 kV class.

10 And that was discontinued, I wrote here,
11 June 23rd of '05,

12 MR. ROBIN WIENS: That date's correct.

13 MR. BOB PETERS: And that class is also
14 correct? That sub class distinction's, correct?

15 MR. ROBIN WIENS: Yes. There's an
16 additional proviso greater than 5 megawatts.

17 MR. BOB PETERS: All right. So if -- if
18 you happen to be served at a -- a voltage less than 30 kV
19 but you wanted a 5 megawatt load, you would also be
20 turned down for any service extension policy contribution
21 by the Corporation?

22 MR. ROBIN WIENS: That's correct.

23 MR. BOB PETERS: Mr. Wiens, I also wrote
24 down that there may have been an exception to that and
25 that would be if Mr. Warden and other executives of

1 Manitoba Hydro decided that the contribution was
2 worthwhile.

3 Is that correct?

4 MR. ROBIN WIENS: Yes, that's correct.

5 MR. BOB PETERS: Can you tell this Board
6 since June 23rd of 2005, has Manitoba Hydro provided any
7 service extension policy contribution to any customer
8 served greater than 30 kV or served -- requiring more
9 than 5 megawatts of load?

10 MR. ROBIN WIENS: My understanding is
11 that there were two (2).

12 MR. BOB PETERS: Two (2) out of how many?

13 MR. ROBIN WIENS: I -- I don't have
14 knowledge of that. We're responsible in our area for the
15 co-ordination of the policy but other parts of the
16 Corporation are responsible for its administration.

17 So I don't have that answer at hand.

18 MR. BOB PETERS: But it would be...

19

20 (BRIEF PAUSE)

21

22 MR. ROBIN WIENS: We're going to have to
23 check on that one, Mr. Peters.

24 MR. BOB PETERS: I'd like you to
25 undertake to provide the -- the answer as to how many

1 customers would otherwise have qualified for the service
2 extension policy but were denied relief.

3 And for those two (2) that you recall, I'd
4 like you to certainly to verify that it was two (2), if
5 you can provide the rationale as to why those two (2)
6 were afforded relief under the service extension policy
7 when others were not.

8 MR. ROBIN WIENS: My understanding is,
9 and this would also be subject to check, is that those
10 two (2) customers had actually requested that the
11 extension be made prior to the June 23rd, 2005 date.

12 MR. BOB PETERS: And you'll check that
13 and include that in your response to the undertaking?

14 MR. ROBIN WIENS: Yes, we will.

15 MR. BOB PETERS: All right. Thank you,
16 Mr. Wiens.

17

18 --- Undertaking No. 2: Manitoba Hydro to provide how
19 many customers would
20 otherwise have qualified for
21 the service extension policy
22 but were denied relief and
23 provide rationale as to why
24 two (2) were afforded relief
25 and others not

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CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: One of the matters I didn't cover just before the lunch break, out of Order 116/'08, was a direction from the Board for Hydro to report on the specific deferral values that could be achieved by constraining load growth. And in the book of documents, Tab 2, that's found on page 379 of the extract.

Have you that, Mr. Wiens?

MR. ROBIN WIENS: I do, yes.

MR. BOB PETERS: Would I be correct, Mr. Wiens, that Manitoba Hydro does not value or suggest there is any deferral value achieved by -- by constraining industrial load growth; that's not part of Manitoba Hydro's equation anymore?

MR. HAROLD SURMINSKI: Yes, Mr. Peters, I'll take questions in this regard on deferral and generation. The question you're asking is the generation component specifically?

MR. BOB PETERS: Is it -- let me ask it this way then, Mr. Surminski, and -- and you can help the Board get an understanding for this because the Board gave some indication in its last Order that it wanted an understanding as to whether there was some specific

1 deferral value to Manitoba Hydro if energy intensive load
2 was deferred or cancelled. You understand that?

3 MR. HAROLD SURMINSKI: Yes.

4 MR. BOB PETERS: And in fairness to you,
5 sir, in Information Request PUB-12C, a question similar
6 was asked and it's my understanding that Manitoba Hydro
7 no longer defers generation plant solely on the basis of
8 domestic load growth; is that true?

9 MR. HAROLD SURMINSKI: Yes, that has been
10 the case for several years now.

11 MR. BOB PETERS: And that's true because
12 Manitoba Hydro also now considers the benefits of
13 advancing generation to take advantage of export
14 opportunities?

15 MR. HAROLD SURMINSKI: Yes, our previous
16 marginal cost approach was based on deferral but that
17 approach no longer worked when deferral, in fact, was --
18 was the opposite. It wasn't a saving, it was a cost.

19 MR. BOB PETERS: So to put it in short
20 answer to the Board's inquiry from page 379 of the
21 extract from Order 116/'08, there's no deferral value
22 resulting from Manitoba Hydro's ability to defer
23 generation plant and associated transmission from this
24 Energy Intensive Industry Rate?

25 MR. HAROLD SURMINSKI: Yes, that's right.

1 MR. BOB PETERS: All right. Thank you.

2 I want to turn to...to the fourth book of
3 -- sorry, the fourth Tab in the book of documents and the
4 fourth Tab in the book of documents sets out Manitoba
5 Hydro's response as to what the objectives of the
6 proposed new rate are; is that correct?

7 MR. ROBIN WIENS: Yes.

8 MR. BOB PETERS: And the first one is to
9 provide economically more efficient price signals to the
10 largest and most price-sensitive customers who recently
11 have contributed most heavily to domestic load growth?

12 MR. ROBIN WIENS: Yes.

13 MR. BOB PETERS: Mr. Wiens, perhaps you
14 have taught me that price signal -- maybe I should blame
15 Mr. Gange and his witnesses, but "price signal" means you
16 use less energy and you are financially rewarded by that?

17 MR. ROBIN WIENS: Well, I would -- that's
18 certainly true, Mr. Peters, but I would -- I would
19 generalise that to a greater extent is that you are
20 conscious of a price that is reflective of the real cost
21 of that energy in your decision making, whether your
22 decision making is to go ahead anyway and consume the
23 energy, to conserve the energy, or to not use any energy
24 at all.

25 MR. BOB PETERS: I'm not sure we are

1 coming at it any differently, Mr. Wiens, but your
2 explanation is certainly more eloquent than mine.

3 The objective of sending a price signal is
4 then to make the user more conscious that by using that
5 last kilowatt hour of electricity or not using it,
6 there's a -- there's a financial consequence to that.

7 MR. ROBIN WIENS: That's trying to align
8 the -- the customer's perception of that consequence with
9 the actual cost of the energy.

10 MR. BOB PETERS: Well, the customer
11 doesn't really know what the actual cost of the energy
12 is; they just know that they're going to have to pay more
13 for any second tier rate that they face?

14 MR. ROBIN WIENS: That's correct.

15 MR. BOB PETERS: And one (1) of the
16 signals -- one (1) of the purposes of the signal is that
17 you use less energy and, therefore, you don't have to pay
18 as much on your bill at the end of the month?

19 MR. ROBIN WIENS: That may be the
20 outcome, yes.

21 MR. BOB PETERS: And that's primarily --
22 that -- that being the price signal is in these parlance
23 -- in the parlance we've used here, generally consider it
24 happening by way of an inclined rate or an inverted rate
25 block or a higher second block than first block?

1 MR. ROBIN WIENS: That's what we're
2 talking about in this circumstance.

3 MR. BOB PETERS: And when you say that
4 you're trying to send a price signal, you're sending it
5 to the largest of your customers and for that you have
6 isolated the two (2) largest subclasses that are served,
7 correct?

8 MR. ROBIN WIENS: That's correct.

9 MR. BOB PETERS: And when you also say in
10 that -- in that objective that these are the most price-
11 sensitive customers, you use those words, correct?

12 MR. ROBIN WIENS: Yes, we do.

13 MR. BOB PETERS: That, to me, suggests
14 that they are price-sensitive in the event that they see
15 they're going to pay a higher price, they can cut back on
16 their consumption, and they don't have to then use that
17 extra consumption.

18 Is that what you mean when you use the
19 words "price sensitive"?

20 MR. ROBIN WIENS: The -- this is the
21 customer group that is -- typically has been seen to be
22 most price responsive.

23 MR. BOB PETERS: Okay, you're introducing
24 new words but price responsive isn't the same as a price
25 signal to reduce consumption, is it?

1 MR. ROBIN WIENS: Well, most responsive
2 to price signals.

3 MR. BOB PETERS: Would I be correct that
4 the customers that are targeted in terms of being exposed
5 to the new proposed rate would be those in the, what have
6 been called the, chemical or the electrochemical
7 industry?

8 MR. ROBIN WIENS: Yes.

9 MR. BOB PETERS: And appreciate my
10 limited in-depth understanding of that industry, Mr.
11 Wiens, but the output of that industry would be directly
12 proportionate to the amount of energy that they use;
13 would -- would you go that far?

14 MR. ROBIN WIENS: That's my
15 understanding.

16 MR. BOB PETERS: All right. Where in
17 that understanding is there price sensitivity that if
18 there -- they can -- they can see that they're going to
19 face a second-tier price rate and, therefore, they want
20 to conserve and, therefore, they'll find some way to
21 avoid using as much energy without impacting the output
22 of their plant?

23 MR. ROBIN WIENS: They may do that or
24 they may impact the output of their plant.

25 MR. BOB PETERS: Isn't it more likely

1 that for that particular industry any price signal that
2 gets that industry to use less energy also means less
3 production from that industry?

4 MR. ROBIN WIENS: I -- I think that would
5 be -- would be generally the case. There is -- and Mr.
6 Dudar would have greater understanding of this than
7 myself, but there is some capability to reduce the energy
8 ratio in production, but my understanding is that
9 generally significant reductions are likely to be
10 accompanied by significant reductions in production, or
11 significant increases in production are likely to be
12 accompanied by significant increases in electricity use.

13 MR. BOB PETERS: And Mr. Dudar, you're
14 agreeing with Mr. Wiens' answer?

15 MR. MICHAEL DUDAR: I -- I do. The other
16 thing that the companies could do is transfer production
17 to another facility after they looked at all their input
18 and output costs, transportation, access to markets,
19 those sorts of things.

20 MR. BOB PETERS: You're saying they look
21 at all of the economic factors that lead to their
22 profitability in deciding where to -- whether or not to
23 use the second tier energy.

24 MR. MICHAEL DUDAR: That's correct.

25 MR. BOB PETERS: Another industry --

1 well, Mr. Dudar, is there any suggestion by Manitoba
2 Hydro that the -- a chemical industry, or the
3 electrochemical industry is not already very energy
4 efficient?

5 MR. MICHAEL DUDAR: It would -- it would
6 depend on the age of the equipment. Some equipment is --
7 is very efficient; other older vintage pieces of
8 equipment may not be as efficient.

9 MR. BOB PETERS: Is that something
10 Manitoba Hydro has identified for these customers as to
11 ways they can improve their efficiency?

12 MR. MICHAEL DUDAR: We have had
13 discussions with these customers on -- on various ways
14 they can improve their efficiency.

15 MR. BOB PETERS: And -- I'll come back to
16 that. The petroleum transport industry is also an
17 industry that is -- is included in your first objective
18 and, that is, to send price signals to the largest and
19 most price sensitive customers who have recently
20 contributed most heavily to domestic load growth.

21 MR. MICHAEL DUDAR: That's true.

22 MR. BOB PETERS: And is there an
23 assumption in that by Manitoba Hydro, Mr. Wiens, that
24 these industries have elastic demands for energy, as
25 you've taught us?

1 MR. ROBIN WIENS: Well, I -- I do believe
2 that they have an elastic demand for energy, but it's not
3 necessarily elastic in the short run.

4 It -- it may -- the elasticity may be
5 expressed over the long run in terms of decisions as to
6 how the pipeline compression is going to be powered, or
7 where the pipelines are going to be located.

8 I -- I wouldn't think that they would have
9 the flexibility in the short run that some other
10 industries might have.

11 MR. BOB PETERS: So there's no suggestion
12 here that the pipeline transportation industry is -- is
13 grossly inefficient in their use of energy.

14 MR. ROBIN WIENS: I -- you know, I don't
15 have specific knowledge of that, so I wouldn't suggest
16 it, no.

17 MR. BOB PETERS: And in your second last
18 answer to me, Mr. Wiens, in terms of the pipeline
19 industry making decisions as to -- in the long run as to
20 where to locate, that would be a decision that -- if they
21 hadn't made that decision already, they may choose to
22 bypass Manitoba if the energy rate was a -- a negative
23 that led them to conclude it wouldn't be as profitable,
24 perhaps, to come to Manitoba?

25 MR. ROBIN WIENS: Well certainly not all

1 the pipelines that flow from east to west go through
2 Manitoba, although the majority of them do.

3 MR. BOB PETERS: Is it an expectation by
4 Manitoba Hydro that if a pipeline company has to pay the
5 Energy Intensive Industry Rate that you're proposing,
6 that company would pass on the additional costs to its
7 customers?

8 MR. ROBIN WIENS: I believe that the
9 major pipelines that pass through Manitoba are regulated
10 industries, and that they would likely attempt to do
11 that, yes.

12 MR. BOB PETERS: And that would then
13 include Manitoba Hydro's subsidiary of Centra Gas that
14 pays pipeline transportation companies to bring natural
15 gas to Manitoba?

16 MR. ROBIN WIENS: That possibly could,
17 yes.

18 MR. BOB PETERS: And you would expect
19 then that if Manitoba Hydro charges that pipeline company
20 the Energy Intensive Industry Rate, and that rate is then
21 passed on to the natural gas consumer through -- through
22 regulated tolls, the end result could be an increase in
23 natural gas rates here in Manitoba?

24 MR. ROBIN WIENS: To the extent that your
25 premise is true, Mr. Peters, that the tolls of -- for

1 natural gas would increase as a result of this rate -
2 which I'm not saying is a certainty - but -- but to the
3 extent that you accept that premise then, yes, it would
4 result in higher tolls for the transport of natural gas
5 within Manitoba.

6 MR. BOB PETERS: And there's no certainty
7 that it wouldn't lead to higher rates, is there, Mr.
8 Wiens?

9 MR. ROBIN WIENS: Well, I cannot speak
10 for -- all the decisions would be made by the natural gas
11 transporting pipeline.

12 I would suggest, however, that the
13 incremental rate or the -- the growth in pipeline load
14 that -- that would drive the -- the -- that particular
15 load into the second block, if this rate is accepted, is
16 due to growth in I believe transportation of oil rather
17 than natural gas.

18 I -- I won't comment further on the extent
19 to which it may or may not have impacts on the natural
20 gas transportation rates. I just point that out.

21

22 (BRIEF PAUSE)

23

24 MR. BOB PETERS: Mr. Wiens, you also
25 indicated in a previous answer that the type of fuel

1 that, for example, the petroleum transportation industry
2 would use would be one of the long-run decisions that it
3 would have to make in terms of whether or not it could
4 respond to an Energy Intensive Industry Rate in Manitoba.

5 MR. ROBIN WIENS: Well yes, yes, that is
6 true. The pipeline industry in Manitoba in the past has
7 used other fuels to fuel their compression.

8 MR. BOB PETERS: And without naming
9 specific customers, I have a recollection that this Board
10 heard a presentation to the effect where the Province of
11 Manitoba requested some of the petroleum transport
12 industry to switch to electricity at or about the time
13 that Manitoba Hydro was bringing on new northern
14 generation.

15 Is that correct?

16 MR. ROBIN WIENS: I -- I do recall that
17 discussion here, yes.

18 MR. BOB PETERS: And -- and is the
19 premise under which that was given, is that also correct
20 that Manitoba Hydro got additional load as a result of a
21 specific request made of that industry to use electricity
22 as opposed to fossil fuel?

23 MR. ROBIN WIENS: I haven't independently
24 verified that, Mr. Peters, but I -- I don't see any
25 reason to doubt the presentation of the party that was

1 here.

2 MR. BOB PETERS: When Manitoba Hydro
3 designed, let's start initially, their Energy Intensive
4 Industry Rate that was brought to the General Rate
5 Application earlier this year, was Manitoba Hydro
6 possessed of the knowledge of the expansion plans of its
7 largest customers at the time it designed the rate?

8 MR. ROBIN WIENS: Yes, we were.

9 MR. BOB PETERS: So Manitoba Hydro would
10 have been aware of which specific companies in the
11 industry groupings were planning on expansions and load
12 growth?

13 MR. ROBIN WIENS: These -- these plans do
14 -- had in the past anyway, a tendency to change from year
15 to year but generally, yes, we were aware.

16 MR. BOB PETERS: Would it also be correct
17 that the plants of which we're talking in terms of the --
18 would it be safe to say your ten (10) largest customers?
19 I haven't used that yet in my question, but is that -- is
20 that essentially what we're talking about here?

21 The customers who are potentially exposed
22 to the Energy Intensive Industry Rate?

23 MR. ROBIN WIENS: Oh yes, there are ten
24 (10) customers who use 100 gigawatt hours or more.

25 MR. BOB PETERS: All right. So they're

1 your ten (10) largest customers. You would have
2 knowledge of their specific plans as they would have told
3 you during your client meetings with them.

4 MR. ROBIN WIENS: Yes.

5 MR. BOB PETERS: And would it also be
6 correct that some of those customers don't have expansion
7 plans in the near term?

8 MR. MICHAEL DUDAR: That would be
9 correct.

10 MR. BOB PETERS: Would some of those
11 customers, Mr. Dudar, have had expansion plans in
12 historical terms that previously they have done plant
13 expansions but they have nothing planned for the future?

14 MR. MICHAEL DUDAR: That's possible.

15 MR. BOB PETERS: Then does that become a
16 timing issue then as to those companies that are -- that
17 have now told you about their expansion plans, they're
18 the ones who will potentially face the higher rate, but
19 those who have expanded previous to that, they won't be
20 under -- the way it's presently developed exposed to the
21 Energy Intensive Rate?

22 MR. MICHAEL DUDAR: That's correct.

23 MR. BOB PETERS: On Tab 5 of the book of
24 documents, I dug back to the GRA. Mr. Thomas got me all
25 excited about a schedule B-2 there from the Cost of

1 Service Study and I wanted to share it with this witness
2 panel and also have the Board aware of it.

3 In a bit of a snapshot, this captures does
4 it, Mr. Wiens and Mr. Dudar, the -- the number of
5 customers as well as their energy consumption by -- by
6 class?

7 MR. ROBIN WIENS: Yeah, this -- this is
8 from the perspective Cost of Service Study for 2008, and
9 as such, there's an element of a forecast in here. It's
10 not an actual.

11 But typically they -- they perform pretty
12 close to the forecast that's in the Cost of Service Study
13 so, yes, I would say that that's what it depicts.

14 MR. BOB PETERS: All right. If we go
15 down to the General Service Large, the 30 to 100 KV, and
16 we also take the General Service Large greater than 100
17 KV, we find that class -- or subclasses in the left-hand
18 column, and then we jump over to the -- what becomes the
19 third column, called Number of Customers.

20 It says twenty-eight (28) customers in the
21 30 to 100 KV, but we now know from the interrogatory
22 process, that's really twenty-two (22), isn't it?

23 MR. ROBIN WIENS: I'm not sure if that's
24 exactly the right number, Mr. Peters, but it's less than
25 the twenty-eight (28), because the twenty-eight (28) is

1 the number of metering points that were expected in that
2 forecast.

3 MR. BOB PETERS: Okay. You'll take that
4 subject to checking PUB Information Request 2-B? You'll
5 agree with me, Mr. Wiens, subject to check, that it's
6 twenty-two (22)?

7 MR. ROBIN WIENS: That appears to be the
8 case, yes.

9 MR. BOB PETERS: And instead -- the
10 twenty-eight (28) that's there is the number of metres,
11 not the number of customers.

12 MR. ROBIN WIENS: That's correct.

13 MR. BOB PETERS: All right. And for the
14 General Service Large greater than 100 KV, you have
15 fourteen (14) in the column that says Number of
16 Customers.

17 Actually that should be twelve (12)
18 customers in that column, correct?

19 MR. ROBIN WIENS: Well, twelve (12) is
20 the number of customers, but you used the term "should
21 be", and this Cost of Service Study incorporates the
22 additional metering points as separate customers.

23 MR. BOB PETERS: No --

24 MR. ROBIN WIENS: Separate points of
25 delivery.

1 MR. BOB PETERS: -- no offense intended,
2 Mr. Wiens, but the fourteen (14) is called Number of
3 Customers when it should be number of metres, to be
4 technically correct. It's really only twelve (12)
5 customers. That's all I was saying.

6 MR. ROBIN WIENS: Number of metres,
7 number of delivery points.

8 MR. BOB PETERS: Okay. And, so we know
9 that there's twelve (12) customers that are affected with
10 fourteen (14) delivery points.

11 MR. ROBIN WIENS: Correct.

12 MR. BOB PETERS: All right. What we also
13 know is that none of those twelve (12), and none of those
14 twenty-two (22), are affiliated as Manitoba Hydro would
15 describe in the Energy Intensive Industry Rate.

16 MR. ROBIN WIENS: I -- I believe that's
17 how we responded in the Information Requests.

18 MR. BOB PETERS: All right, thank you.
19 Now would you agree with me, Mr. Wiens, that while we've
20 tried to narrow down the number of customers that are
21 exposed to this, Mr. Warden was very clear in his direct
22 evidence that there are ten (10) potential customers, and
23 that's the evidence of the Corporation?

24 MR. ROBIN WIENS: That's correct.

25 MR. BOB PETERS: Now when I -- when I try

1 to process that further, you're applying for an Energy
2 Intensive Rate in both the large 30 to 100 kV, as well as
3 the greater than 100 KV.

4 Does that suggest that there are, under
5 the way it's designed, customers that will face the
6 Energy Intensive Rate in the 30 to 100 kV class?

7 MR. ROBIN WIENS: Yes, there are.

8 MR. BOB PETERS: Okay. And they are
9 included in the potential of ten (10)?

10 MR. ROBIN WIENS: Yes, they are.

11 MR. BOB PETERS: Would I be correct in
12 concluding that while there may be ten (10) customers
13 potentially affected, it is because there are ten (10)
14 customers served at more than -- at -- at voltages
15 greater than 30 kV? That's where the ten (10) comes
16 from.

17 MR. ROBIN WIENS: Well, more than 100
18 gigawatt hours, as well.

19 MR. BOB PETERS: Correct. They have to
20 satisfy both criteria.

21 MR. ROBIN WIENS: Yes.

22 MR. BOB PETERS: All right. And can you
23 tell the Board how many customers from the 30 to 100 kV
24 class are impacted, and how many in the large greater
25 than 100 are impacted?

1 MR. ROBIN WIENS: Yes. In the -- in the
2 case of the 30 to 100, there are two (2). The remaining
3 customers are in the over 100.

4 MR. BOB PETERS: And while you have given
5 me that information based on the potential size of the
6 customers, from Manitoba Hydro's modelling and
7 calculation of baselines and exemptions, or growth
8 allowances - I better not use the exemption word - is it
9 correct that only four (4) or five (5) customers will, in
10 fact pay the Energy Intensive Industry Rate based on your
11 assumptions?

12 MR. ROBIN WIENS: Well, there are ten
13 (10) that are potentially affected. The number that will
14 actually be affected depends on how these customers grow
15 in the future and whether it's within or outside the
16 scope of the growth allowances and what is the specific
17 size of any new customer that would come in over the
18 forecast period.

19 MR. BOB PETERS: Okay. I agree with all
20 of that, Mr. Wiens, but would you also agree that this
21 new rate does not have an identified new customer coming
22 in, that is, both greater than 30 kV and also will
23 consume more than 100 gigawatt hours a year?

24 MR. ROBIN WIENS: That's correct.

25 MR. BOB PETERS: So we don't have to talk

1 about that hypothetical customer; that may or may not
2 happen and we have no assurance one way or the other as
3 we sit here.

4 MR. ROBIN WIENS: That's right.

5 MR. BOB PETERS: But we do know that
6 from, I think it was Coalition question 5(I) and MIPUG
7 question 3(b), that Manitoba Hydro has identified that
8 there will be four (4) or five (5) customers who will end
9 up paying this rate under the proposal on the assumptions
10 Manitoba Hydro has made in its Application.

11 MR. ROBIN WIENS: This would be based on
12 our existing 2008 load forecast. I think there's one (1)
13 potential customer that would not be identified would
14 come in potential future load and three (3) or four (4)
15 that are existing customers.

16 MR. BOB PETERS: I'm sorry. Just get you
17 to repeat that, Mr. Wiens.

18 MR. ROBIN WIENS: Of the existing
19 customers based on our load forecast we're looking at,
20 there would be three (3) or four (4).

21

22 (BRIEF PAUSE)

23

24 MR. BOB PETERS: Looking at book of
25 documents Tab 5, Mr. Wiens, you would agree with me that

1 there is no price signal being sent to the other
2 industrial customers such as the two hundred and fifty-
3 two (252) who would be served greater than seven fifty
4 but less than 30 kV?

5 MR. ROBIN WIENS: That would be correct.

6 MR. BOB PETERS: And for the -- for
7 twenty-four (24) of the thirty-four (34) that are served
8 in the highest two (2) consumption subclasses, they don't
9 consume more than 100 gigawatt hours of energy a year so
10 they are also not facing any price signal from this rate?

11 MR. ROBIN WIENS: To the extent that they
12 fall outside those criteria, yeah, they will not face
13 that same price signal.

14

15 (BRIEF PAUSE)

16

17 MR. BOB PETERS: Mr. Wiens, likewise
18 there would be five (5) of those potential ten (10) that
19 you've mentioned, there would be -- let me correct that.

20 There would be six (6) or seven (7) of
21 that potential ten (10) that you mentioned that,
22 likewise, wouldn't be facing a price signal from the
23 Energy Intensive Industry Rate because they fall outside
24 the parameters of its applicability according to Manitoba
25 Hydro's load growth forecast?

1 MR. ROBIN WIENS: Well, that's -- that's
2 not quite true. Six (6) or seven (7) of the ten (10)
3 looking at today's load forecast, their growth would fall
4 within the parameters of the growth allowance that --
5 that we're proposing in this rate.

6 Should that change, they could be faced
7 with a price signal even if they ultimately don't go
8 above the -- the 3 percent in the first five (5) years
9 and the 2 percent in the subsequent years, they now have
10 the encouragement to stay within that 3 and 2 percent.

11 So, while they may not actually wind up
12 facing that price for their load, they're aware that that
13 price is there and it could potentially affect them.

14 MR. BOB PETERS: For that to happen, the
15 last part of your answer to happen, Mr. Wiens, they would
16 have to grow at a rate higher than what is forecast for
17 them?

18 MR. ROBIN WIENS: Yes, or change the
19 timing of their growth from what is forecast in the
20 current load forecast.

21 MR. BOB PETERS: Change the timing means
22 that they would have to -- they may have a growth plan
23 that they implement next year that ups their size by 15
24 percent which isn't what's forecast presently and,
25 therefore, then they would face the Energy Intensive

1 Industry Rate until their growth allowance would catch up
2 to them?

3 MR. ROBIN WIENS: It's possible and, you
4 know, the -- the probability I would attach to that I
5 can't say, but they -- they definitely are -- are within
6 or some of them anyway are likely to be within haling
7 distance of that and it has to be a consideration in
8 their future plan.

9 MR. BOB PETERS: I'm not sure much turns
10 on it, Mr. Wiens, but I -- would I be correct in assuming
11 that of those three (3) or (4) customers that we talked
12 about being -- having to pay the second tier Energy
13 Intensive Industry Rate, one (1) of them may be coming
14 from the 30 to 100 kV and the other ones would be coming
15 from the greater than 100?

16 MR. ROBIN WIENS: Could you repeat,
17 please?

18 MR. BOB PETERS: I was asking whether or
19 not it would be reasonable for the Board to assume that
20 one (1) of the affected customers that you've identified
21 out of those three (3) or four (4) that would be facing
22 the Energy Intensive Industry Rate based on your load
23 forecast, one (1) of those would come from the 30 to 100
24 kV subclass and the others would come from the greater
25 than 100?

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

2 MR. BOB PETERS: In turning to the second
3 objective on Tab 4 of the book of documents, it was to
4 limit the reductions in revenue caused by displacement of
5 exports to serve large, new price-sensitive loads and
6 thereby limit or reduce rate increases to the entire
7 domestic customer base.

8 I think Mr. Ward and I have talked about
9 that, but would you go so far as to say that's the
10 primary objective of this rate?

11 MR. ROBIN WIENS: Yes, to -- to limit the
12 revenue impact such that either the load pays the -- the
13 rate that's reasonably close to what the export market is
14 providing or the energy will actually go the export
15 market.

16 MR. BOB PETERS: And heretofore, the
17 entire domestic customer base has been responsible for
18 the revenue requirement that may be attributed to
19 displacements of export revenue by new loads?

20 MR. ROBIN WIENS: That's correct.

21 MR. BOB PETERS: I take that, in essence,
22 this objective is to have the targeted industries pay the
23 same for additional load above a company-specific
24 baseline as would Manitoba Hydro be able to recover if
25 that was exported as firm energy?

1 MR. ROBIN WIENS: In principle, yes.

2 MR. BOB PETERS: When you say, "in
3 principle," Mr. Wiens, that's because it may not be
4 entirely verifiable that that in fact is what's going to
5 happen, but that is certainly the intent?

6 MR. ROBIN WIENS: That's correct.

7 MR. BOB PETERS: Would it be fair to
8 characterise it as replacing one (1) source of revenue
9 with another source of revenue?

10 MR. ROBIN WIENS: If the decision on the
11 part of the affected customer is to pay the higher price
12 rather than to forego the load increase, that would be
13 true.

14 MR. BOB PETERS: Because if the Company
15 decided to not use the energy, Manitoba Hydro would at
16 least notionally export it as firm energy?

17 MR. ROBIN WIENS: That revenue would
18 continue to come from the out-of-province market.

19 MR. BOB PETERS: Would it be a refinement
20 on that, Mr. Wiens and Mr. Warden, to suggest that the --
21 that the load growth by three (3) or four (4) customers
22 is what will be targeted by the energy -- the new energy
23 rate?

24

25 (BRIEF PAUSE)

1 MR. ROBIN WIENS: It's our expectation
2 that those are the numbers that will be affected by the
3 new rate. However, as -- as we've said, that there are
4 ten (10) customers that fall into the category that are
5 potentially affected.

6 MR. BOB PETERS: I appreciate that. And
7 you've told us that their growth pattern would have to be
8 different than what's presently assumed before six (6) or
9 seven (7) of those would be paying the -- the higher
10 secondary tier rate, correct?

11 MR. ROBIN WIENS: Yes.

12 MR. BOB PETERS: But I'm just focussing
13 now on the three (3) or four (4) customers that are
14 presently identified by Manitoba Hydro as -- as being
15 targeted to pay the energy rate for the second block and
16 they would only be targeted because of their growth, not
17 because of their current size.

18 MR. ROBIN WIENS: That's correct.

19 MR. BOB PETERS: Put another way, Mr.
20 Wiens and Mr. Dudar, if those three (3) or four (4)
21 companies that we've talked about as being specifically
22 forecast to be paying the energy-intensive rate had no
23 growth plans, then the additional revenues, the -- the
24 revenues from this Energy Intensive Industry Rate would -
25 - would equate to zero dollars?

1 MR. ROBIN WIENS: That's true.

2 MR. BOB PETERS: Would one then conclude
3 that it becomes a timing issue for this Energy Intensive
4 Rate to coincide with the expansion plans of those three
5 (3) or four (4) customers?

6

7 (BRIEF PAUSE)

8

9 MR. ROBIN WIENS: The -- the timing is
10 such that the load increases of those three (3) or four
11 (4) customers, as they are incorporated in Manitoba
12 Hydro's load forecast, will be affected, along with other
13 potential loads that are not of existing customers within
14 the province.

15 MR. ROBERT MAYER: Mr. Wiens, I'm
16 following this as best I can but these load forecasts
17 were done, I take it, some time ago?

18 MR. ROBIN WIENS: No, the 2008 load
19 forecast was done and completed, I would say, five (5) or
20 six (6) months ago.

21 MR. ROBERT MAYER: That in today's
22 economy was some time ago in my -- in my humble opinion,
23 because I remember, not all that long ago, reading the
24 comments about the high commodity prices, base metals
25 particular, Inco as of Friday, Thursday/Friday, announced

1 cutbacks because the price has fallen from somewhere
2 around twenty-five (25) bucks a pound down to about four
3 (4).

4 In the Manitoba operations those cutbacks
5 are rather minimal, they're offering a package to anyone
6 with twenty-five (25) years or more seniority.

7 But is the present state of the economy --
8 should it -- should it persist over a period of a year to
9 eighteen (18) months, as is presently predicted, affect
10 what we're doing at these Hearings over the longer run?

11 MR. ROBIN WIENS: I don't think anybody
12 knows to what extent, if at all, it may affect it. If
13 we're talking about over the longer run, the -- then I'm
14 presuming you're meaning beyond the point of which the
15 anticipated recession concludes and -- and growth resumes
16 and I expect that if this occurs within the next twelve
17 (12) to eighteen (18) months, that the growth trajectory
18 would resume at that point. It may affect the timing of
19 these loads. I-- I'm sure -- that's a possibility at
20 least but it doesn't affect the long term. Again,
21 assuming the twelve (12) to eighteen (18) month.

22 MR. ROBERT MAYER: But, Mr. Wiens, if
23 growth resumes, it resumes from a different starting
24 point. If your smelters now are being -- are slowing
25 down and cutting back then their growth will start from

1 where they were at the bottom of the recession even
2 though growth may start after eighteen (18) months,
3 they're starting from a -- from a lower base.

4 I'm not sure that's a question. I think
5 that was just a comment. But it seems to me that we may
6 have -- we may be holding these Hearings at exactly the
7 wrong time.

8 MR. ROBIN WIENS: I'm not sure I would go
9 that far, Mr. Mayer. I -- I agree with your -- you cited
10 the possibility that in some industries anyway, we may be
11 starting from a lower point.

12 But we're talking about here is a -- a
13 principle that we're trying to put in place whereby the
14 loads that have been hitherto anyway expanding the most
15 rapidly and that we believe are the most price sensitive
16 are caus -- having the greatest impact on Manitoba
17 Hydro's ability to realize its revenues.

18 Now, to the extent that some or even all
19 of the affected industries may reduce their energy in
20 future, that will mean that they will be affected by the
21 second tier of the block at some later point in time.

22 But our intention here would still be to
23 set their base load based on the twelve (12) highest
24 consecutive months of usage prior to April the 1st of
25 2008 and go forward from there. And -- and what happens

1 in terms of what impacts the economic situation has on
2 those loads will -- will happen.

3

4 (BRIEF PAUSE)

5

6 CONTINUED BY MR. BOB PETERS:

7 MR. BOB PETERS: So, Mr. Wiens, the
8 principle that's being put in place at this time is,
9 however, premised on Manitoba Hydro's understanding of
10 the growth plans by the three (3) or four (4) companies
11 that are likely to end up paying into the second tier
12 rate?

13 MR. ROBIN WIENS: Well, it's not strictly
14 based on that premise, Mr. Peters. I mean, we have been
15 talking about the potential of -- certainly in these
16 proceedings for two and a half (2 1/2) years now.

17 And certainly internally going back before
18 that and, in fact, I'm -- I'm not recalling precisely the
19 date, but there was some time before that that we started
20 advising customers who were coming to us that this poss -
21 - this rate was on the horizon and that we intended to be
22 looking at something along these lines.

23 So it's not just premised on the 2008 load
24 forecast, it's premised on load forecasts or expectations
25 of growth going back a number of years now.

1 MR. BOB PETERS: But the ener -- but the
2 proposal before this Board is premised on the 2008 load
3 forecast in terms of what will be the impact and the
4 number of customers impacted and the potential revenue
5 that comes from the Energy Intensive Rate that's
6 proposed.

7 MR. ROBIN WIENS: The impacts are
8 premised on the 2008 load forecast; the proposal is not.

9 MR. BOB PETERS: If you were successful
10 in getting an Energy Intensive Industry Rate, there's no
11 suggestion that there would be a rate reduction for any
12 other customer that's served by Manitoba Hydro, is there?

13 MR. ROBIN WIENS: We're not suggesting
14 that at this time and, in fact, it's not likely. But --
15 but what is the potential is that if we -- if we are
16 successful in obtaining this rate, that there will be
17 less overall impact in terms of revenue requirement that
18 would require other classes to pay -- future rate
19 increases may well be less than they otherwise would have
20 been if this was not approved.

21 MR. BOB PETERS: Continuing on that
22 thought, Mr. Wiens, the focus then of the target is
23 approximately 650 to 700 gigawatt hours a year of energy
24 that would be paying the higher rate, if not exported as
25 firm energy?

1 (BRIEF PAUSE)

2

3 MR. ROBIN WIENS: I'm not sure over what
4 time period you're referring to, Mr. Peters. That --
5 that sounds reasonable.

6

7 (BRIEF PAUSE)

8

9 MR. BOB PETERS: Mr. Wiens, I was looking
10 at PUB-17(c), and I was using a broad brush when I said
11 six fifty (650) to seven hundred (700), recognizing that
12 -- and that document is not in the book of documents --
13 recognizing that there's a growth above baseline that
14 ramps up, but it seems to be generally in that 650 to 700
15 gigawatt hours a year of -- of energy.

16 MR. ROBIN WIENS: Yes. Depending on the
17 year, it's ranging from around four hundred (400) to
18 eight hundred (800) or so.

19 MR. BOB PETERS: And the suggestion is
20 that that 700 gigawatt hours of energy per year could
21 yield \$14 million more on the export market, if that's
22 where it was sold, rather than as existing domestic
23 rates.

24 MR. ROBIN WIENS: Yeah, depending --
25 depending on where the export markets are at the time.

1 High -- higher export price would mean more and lower
2 conversely would mean less.

3 MR. BOB PETERS: Fair enough. But it's
4 \$14 million for 700 gigawatt hours. Roughly .02 cents
5 more per kilowatt hour on the export market would be
6 hoped for.

7 MR. ROBIN WIENS: That's based on where
8 things were in the last couple years.

9 MR. BOB PETERS: All right. And again,
10 that assumes that that additional 700 gigawatt hours
11 wasn't used by Manitoba industry, and was sold at -- on
12 peak on the export market.

13 MR. ROBIN WIENS: Sold as a firm sale on
14 the export market.

15 MR. BOB PETERS: And you're going to
16 probably have to correct me more than once on this, Mr.
17 Wiens, but virtually all of Manitoba Hydro's firm sales
18 are on peak? Mr. Surminski, help me on this.

19 MR. HAROLD SURMINSKI: Yes. I -- I was
20 just looking at, I think, further in your book of
21 documents. There is some information on and off for
22 dependable sales, and it's -- about 10 percent are -- are
23 maybe off peak, but 90 percent are on peak.

24 MR. BOB PETERS: Okay. So again, if I
25 gloss over it, Mr. Wiens is certainly correct in his --

1 in his correction of me, but when I assume then that that
2 additional 700 gigawatt hours wouldn't first be consumed
3 domestically by large industry, or anybody else, and then
4 sold as firm export, it's a 90 percent probability that
5 that firm export will be on peak.

6 MR. HAROLD SURMINSKI: Yes, that's
7 correct.

8 MR. BOB PETERS: And the reason on peak
9 is important to you, Mr. Surminski, and also Mr. Warden,
10 is that's when Manitoba Hydro gets its highest export
11 values, on average.

12 MR. HAROLD SURMINSKI: Yes, that's
13 correct.

14 MR. BOB PETERS: And when I look at the
15 book of documents, Tab 5, and I look to the far right-
16 hand, or second from the far right column in terms of
17 metered energy column, that 650 or 700 gigawatt hours a
18 year of energy, that's equivalent to roughly 10 percent
19 of the residential consumption.

20 Have I got that right, Mr. Surminski or
21 Mr. Wiens?

22 MR. ROBIN WIENS: Yes.

23 MR. BOB PETERS: And if it was 10 percent
24 of the residential, it's also approximately 10 percent of
25 the combined GS small and GS medium.

1 MR. ROBIN WIENS: Sure.

2 MR. BOB PETERS: And would you indulge me
3 with the same answer, Mr. Wiens, if I combined the
4 general service large 30 to 100, plus the large greater
5 than 100 KV, and suggest that that targeted energy again
6 is equivalent to 10 percent of -- of those two sub-
7 classes?

8 MR. ROBIN WIENS: That looks to be the
9 case.

10 MR. BOB PETERS: In the third objective
11 that you have on Tab 4 of the book of documents:

12 "To limit the need to advance
13 construction of generating stations to
14 serve energy-intensive loads."

15 I think we acknowledged maybe even before
16 lunch that Manitoba Hydro advances construction of
17 generating stations to serve export opportunities;
18 correct, Mr. Surminski?

19 MR. HAROLD SURMINSKI: Yes, that's
20 correct.

21 MR. BOB PETERS: Is that what Manitoba
22 Hydro did with limestone; it was advanced for export
23 opportunities?

24 MR. HAROLD SURMINSKI: It was the case,
25 but it was only a year or two (2) at the time.

1 MR. BOB PETERS: And certainly Wuskwatim
2 is being advanced to hopefully capture export
3 opportunities?

4 MR. HAROLD SURMINSKI: It was planned to
5 be that, but load has taken over and -- and made the
6 requirement much earlier. It was originally planned --
7 advanced from 2019 to 2012; that's no longer the duration
8 of the advancement.

9 MR. BOB PETERS: The advancement of
10 Conawapa and Keeyask - and I know we're not in a GRA, Mr.
11 Warden - but I understand those would still be generating
12 stations that the Corporation is more than seriously
13 thinking about advancing for export opportunities?

14 MR. HAROLD SURMINSKI: Correct.

15 MR. BOB PETERS: Perhaps the conclusion
16 on that point, Mr. Surminski, is that Manitoba Hydro no
17 longer defers generation plants solely on the basis of
18 domestic load?

19 MR. HAROLD SURMINSKI: Yes, that's
20 correct, but there is a -- a component here that perhaps
21 is missing when I look at that item 3, Advancing
22 Generation. There is a transmission component that is
23 determined by or has a factor in advancing or deferring -
24 - deferring a -- the local transmission, for example,
25 transmission between Winnipeg and Brandon. If there was

1 energy-intensive load in the Brandon area, a reduction in
2 that industrial load would, in fact, have a deferral
3 value for major transmission.

4 MR. BOB PETERS: And if you were to
5 quantify that in terms of years, you would probably
6 suggest to the Board that it would be a one (1) year
7 deferral benefit?

8 MR. HAROLD SURMINSKI: It depends on the
9 magnitude. I don't think you can -- you can just relate
10 it in -- in that way but -- depending on the size of the
11 load and all that.

12 MR. BOB PETERS: So if there is a -- a
13 deferral benefit, it's not -- you're not able to quantify
14 it at this time and you don't even go through that
15 exercise, quite frankly?

16 MR. HAROLD SURMINSKI: No, in fact we do.
17 In -- in the marginal value of transmission, that's
18 exactly how we do it. Any transmission in the Manitoba
19 system that's load related, we -- we analyse the value by
20 -- by deferring it by one (1) year, but in prorating any
21 -- any load, load growth or load-related increases based
22 on that, you know, relative change of one (1) year of
23 load growth.

24 MR. BOB PETERS: Mr. Surminski, maybe you
25 and I'll both look at PUB-12-C at some point just to

1 check. I thought that at best any transmission deferral
2 benefit would be one (1) year and I know you haven't --
3 you're not prepared to go that far with me in your
4 answers and I respect that but I'll check that and ask
5 you to and if there's something further that comes of it,
6 we can -- we can still chat before they take the
7 microphone away from me.

8 The fourth and final objective that's at
9 Tab 4 of the book of documents was perhaps, Mr. Warden,
10 one (1) where it says:

11 "To achieve objectives 1 through 3
12 while still providing scope for
13 economic expansion to Manitoba
14 industry."

15 That's a somewhat subjective determination
16 in terms of putting forth an objective; would you agree
17 with that?

18 MR. VINCE WARDEN: Well, I think it was
19 really important to us to structure the new rate such
20 that it wouldn't be seen as an impediment to expansion of
21 industry in Manitoba so, no, I -- I think it's a very --
22 it's actually a legitimate and important objective.

23 MR. BOB PETERS: Well, it will -- it will
24 inhibit expansion of existing industry in Manitoba if
25 they expand beyond the growth allowance that's included

1 and the Company determines that they're not prepared to
2 pay that higher rate of energy.

3 MR. VINCE WARDEN: Well, with that
4 qualification, if the Company determines that it's not
5 prepared to pay that higher rate, but getting back to the
6 price signal discussion, the Company may very well decide
7 to proceed even with the higher rate, but we want to make
8 sure we're sending the appropriate signal so the Company
9 can make that decision.

10 MR. BOB PETERS: An existing Manitoba
11 company's expansion plans may put them into the second
12 tier rate if they're more than the growth allowance
13 permitted, correct?

14 MR. VINCE WARDEN: Yes.

15 MR. BOB PETERS: But if a new company
16 comes to Manitoba and is greater than -- served at
17 greater than 30 kV and uses less than 100 gigawatt hours
18 a year, they can expand at rates multiples of the growth
19 allowance given by Manitoba Hydro so long as they stay
20 underneath that 100 gigawatt a year cap.

21 MR. VINCE WARDEN: That's correct, yes.

22

23 (BRIEF PAUSE)

24

25 MR. BOB PETERS: In turning to the 7th

1 tab in the book of documents, that this morning I
2 indicated it was PUB Exhibit 8, there are two (2) copies
3 of what is Table 10. I apologize if the highlighting has
4 distorted or obliterated the -- the -- certain portions
5 of it. I have my copies that I used for that that I --
6 that are legible.

7 But let me start the discussion this way,
8 Mr. Wiens. I couldn't find Table 10 in the new load
9 forecast that was included in the appendices to this
10 filing. Are you aware that the Corporation doesn't
11 publish that anymore? At least not in the load forecast.
12 Or maybe I missed it.

13

14 (BRIEF PAUSE)

15

16 MR. ROBIN WIENS: Are you -- are you
17 asking why this is not included in the 2008 --

18 MR. BOB PETERS: I guess I want you to
19 confirm it's not included in the -- subsequent to the
20 '06/'07, you haven't included it, unless I've missed it.

21 And if you haven't included it, why don't
22 you include it?

23 MR. ROBIN WIENS: Well, apparently we
24 haven't included it. As to why that is -- why that is
25 the case, you know, I -- I would have to undertake to get

1 that for you.

2 MR. BOB PETERS: No, I won't ask for that
3 undertaking, but I will -- will ask, do you have it
4 available for '07/'08 and the '08/'09?

5 MR. ROBIN WIENS: I don't know the answer
6 to that question either but that's an inquiry I can make.
7 I -- I suspect that the tables themselves are not
8 available, but is the information available that would
9 allow us to duplicate them? That may be.

10 MR. BOB PETERS: Well, why don't you just
11 make the inquiry first before we -- we make it a work
12 project for anybody, Mr. Wiens?

13

14 (BRIEF PAUSE)

15

16 MR. ROBIN WIENS: Yes, we can make that
17 inquiry.

18 MR. BOB PETERS: Thank you, Mr. Wiens.
19 Would it surprise you, Mr. Wiens, to know that when you
20 look at the forecast in '05/'06, and you look at that
21 column for -- just pick the chemical industry, and then
22 you look to see what the forecast growth is for the next
23 five (5) years, and you compare that growth to the growth
24 that shows up on the next year's Table 10 forecast, from
25 the '06/'07 load forecast, that there's a significant

1 difference between the two (2)?

2 MR. ROBIN WIENS: Mr. Peters, I'm going
3 to have to take your word on that, because I can't read
4 the numbers --

5 MR. BOB PETERS: All right, let me given
6 them to you and you can take them, subject to check. And
7 I apologize again, that's my error.

8 But in '05/'06, the five (5) year forecast
9 for the chemical industry grows by about 940 gigawatt
10 hours a year over five (5) years. And then if we look at
11 that same chemical industry growth, starting in '06/'07
12 for the next five (5) years, the growth is only 691
13 gigawatt hours a year.

14 MR. ROBIN WIENS: 945 in the first
15 column?

16 MR. BOB PETERS: Nine hundred and forty
17 (940) -- nine hundred and forty (940) and six hundred and
18 ninety one (691) for the next page.

19 So I take it the load forecast, you know,
20 running in consecutive years, it's changed by about a
21 third. Does that surprise you, that that type of
22 difference could happen, Mr. Wiens?

23

24 (BRIEF PAUSE)

25

1 MR. ROBIN WIENS: Actually, what -- what
2 you're looking at here -- let me clarify it again, I'm --
3 I'm sorry, Mr. Peters -- but on the first page you're --
4 you're looking as to what rate of growth was forecast
5 over five (5) years. So that would be the difference
6 between the first two (2) columns, which I can't read,
7 but I'm -- I'm taking your word for it.

8 And -- and you're looking at the same
9 thing, the difference between the first two (2) columns
10 on the second page when you say it's six hundred and
11 ninety one (691).

12 MR. BOB PETERS: Yes, I am, Mr. Wiens,
13 and I -- I thank you for rephrasing the question.

14 MR. ROBIN WIENS: There is no doubt an
15 explanation for that, Mr. Peters. I haven't -- I did not
16 look at these particular sheets prior to coming here
17 today. So the -- the load forecast, I think is -- I
18 indicated at a very high level in my direct evidence this
19 morning.

20 For industrial customers, that forecast is
21 done largely by getting information from the customers
22 themselves about their plans, and typically that will
23 cover the first five (5) years. When you get beyond the
24 fifth year, there may be some planned expansion that the
25 customers are reporting on, but there's another factor

1 that's added, which represents our load forecasting
2 department's best judgment available, as to potential
3 loads that will materialize beyond the five (5) year
4 window. That can change from -- from one (1) forecast to
5 the other.

6 And to change in the magnitude that --
7 that you talk about, from a growth of nine hundred and
8 forty (940) to a growth of six hundred and ninety-one
9 (691), which is about 250 gigawatt hours in the -- in --
10 from one (1) forecast to the other, that would be
11 consistent with some of the information that we looked
12 at, I believe, in the response to MIPUG-3C.

13 So I'm not surprised by it. Do I know
14 precisely what accounts for it? I expect there may be a
15 prospective customer, or a prospective load that the
16 probability of that arriving was significantly reduced in
17 the second forecast.

18 MR. BOB PETERS: Can we agree though that
19 -- and I appreciate that -- that answer, Mr. Wiens, to
20 the extent that this information is derived from the
21 specific customers, that's where the source of error
22 would be for the first five (5) years.

23 MR. ROBIN WIENS: That's where the
24 variance would be, from one (1) forecast to the other.

25 MR. BOB PETERS: Okay. When I called

1 that the "error", I guess that's not the right
2 terminology, but the variance from forecast to what
3 ultimately becomes actual would be premised on what the
4 customers have told Manitoba Hydro?

5 MR. ROBIN WIENS: Yes, and that can and
6 often does change from year to year.

7 MR. BOB PETERS: The same answer would
8 apply to the petroleum transport and the primary metal
9 numbers, if you could read them, and the -- the
10 variations for them, Mr. -- Mr. Wiens?

11 I think Ms. Harms gave you --

12 MR. ROBIN WIENS: That would --

13 MR. BOB PETERS: -- a more legible copy.

14 MR. ROBIN WIENS: -- that would be the --
15 well, yes, but not in the same spots. I'm still trying
16 to decipher it.

17 But that would be correct, that something
18 similar would -- would be applying here.

19 MR. BOB PETERS: The petroleum transport,
20 in the '05/'06 forecast for its next five (5) years was
21 going to have 360 gigawatt hours of growth, and then a
22 year later that goes up to 609 gigawatt hours per year of
23 growth, just from one (1) year later. So again it's
24 essentially almost doubled.

25 MR. ROBIN WIENS: Plans change, Mr.

1 Peters. People's plans change and we reflect that in our
2 forecasts.

3 MR. BOB PETERS: And in the primary
4 metals that you -- also is illegible on your copy, and
5 again my last apology, Mr. Wiens -- in the '05/'06 five
6 (5) year forecast, it was going to increase by 9 gigawatt
7 hours over five (5) years, and then a year later it's
8 going to increase by 256 gigawatt hours.

9 Again a significant variation from the
10 previous year, which you're suspecting is based on
11 customer advise.

12 MR. ROBIN WIENS: I believe that's the
13 case, yes.

14

15 (BRIEF PAUSE)

16

17 MR. BOB PETERS: Can we agree, Mr. Wiens,
18 that because it's a forecast, the only thing we should
19 conclude then is it's going to be wrong, when compared to
20 actual?

21 MR. ROBIN WIENS: Not all forecasts turn
22 out to be wrong. But it's -- we -- we don't make a
23 forecast thinking that we're going to be a hundred
24 percent right with it.

25 MR. BOB PETERS: But you also don't bias

1 the forecast in an effort to put judgment over what
2 you're told by these customers?

3

4 (BRIEF PAUSE)

5

6 MR. ROBIN WIENS: Mr. Peters, I -- I
7 would just say that the techniques, while -- while at a
8 high level, the -- this panel is familiar with the
9 techniques that are used by the load forecasting group,
10 their expertise is beyond the expertise of the members of
11 this panel. So if we were going to get into any detail
12 on this, we would have to undertake to bring you back
13 responses.

14 MR. BOB PETERS: All right. I'm not
15 looking for that, Mr. Wiens. But before I leave this
16 Tab 7 in -- in the book of documents, in the far right-
17 hand column on Table 10 is the annual load growth
18 percentage. And I just want to make sure the Board is
19 clear that when I look at the -- let's start with the
20 '05/'06 year, the residential growth is forecast at
21 0.7 percent annual growth; that's over a period of 2005
22 all the way through to 2025?

23 MR. ROBIN WIENS: Again, Mr. Peters, I
24 can't read the headings there so I'll -- I'll take that,
25 subject to check.

1 MR. BOB PETERS: Well, what struck me --
2 and I appreciate that -- that, and you can take it
3 subject to check -- that the residential growth was
4 looked at, at 0.7 in the '05/'06 forecast, and then a
5 year later the residential load growth is 1.0 percent,
6 again I assume over the twenty (20) year forecast
7 horizon. And it's -- it's -- excuse me, it's -- it's
8 changed or varied with some significance to what it was
9 previously.

10 You'd agree with that?

11 MR. ROBIN WIENS: I -- you know, the
12 second page is, I -- I can read the numbers there and it
13 does say 1.0 percent. And I'll take it, subject to
14 check, that it's referring to the entire twenty (20) year
15 period. That would appear to be the case.

16 MR. BOB PETERS: And a point that I made
17 earlier was the commercial line in about -- let's look at
18 your '06/'07 page that you can decipher, the commercial
19 growth is forecast over those years of 0.9 percent.

20 MR. ROBIN WIENS: Yes.

21 MR. BOB PETERS: And the industrial is
22 1.6 percent.

23 MR. ROBIN WIENS: Yes.

24 MR. BOB PETERS: And it's not that
25 there's long-term growth of less than 2 percent or less

1 than 1 percent for some of these classes, it's the timing
2 of the growth within that horizon that has attracted this
3 Energy Intensive Rate Proposal?

4 MR. ROBIN WIENS: Certainly in the recent
5 past and looking forward for the next five (5) to ten
6 (10) years, we're seeing low growth numbers that are
7 bigger than that for industrial.

8 MR. BOB PETERS: I want to turn with you,
9 Mr. Wiens and Mr. Dudar, to the -- to the rate itself.
10 And the rate that is being proposed for the above
11 baseline energy is carefully called a proxy by Manitoba
12 Hydro for its marginal cost, correct?

13 MR. ROBIN WIENS: Yes.

14 MR. BOB PETERS: That's because, Mr.
15 Wiens, to an economist this isn't a true marginal cost
16 number?

17 MR. ROBIN WIENS: Well, like a forecast,
18 it may be right but you're -- you're not expecting -- you
19 don't have a high expectation that it will be precise.

20 MR. BOB PETERS: Well, we -- we even have
21 more of the comfort that it's not going to be correct
22 because you told us last time at the GRA that the proper
23 proxy would have been a forward looking price, if you
24 could have gotten over some of the issues related to --
25 to that methodology.

1 MR. ROBIN WIENS: That's correct.

2 MR. BOB PETERS: Would it -- is it
3 correct that Manitoba Hydro probably does its own
4 marginal cost studies internally, but it keeps those
5 confidential?

6 MR. HAROLD SURMINSKI: Yes, that's
7 correct, Mr. Peters.

8 MR. BOB PETERS: And you keep them
9 confidential, Mr. Surminski, because you don't want your
10 counterparties, with whom you're negotiating export
11 agreements, to know what your exact marginal cost is when
12 you enter into negotiations with them?

13 MR. HAROLD SURMINSKI: Yes, that's
14 correct. And marginal costs the -- being derived from
15 export prices, who counterparties are -- are in the mar -
16 - in the same market, so yes, that's the difficulty.

17 MR. BOB PETERS: In Tab 8 of the book of
18 documents the energy rate derivation is set out, and
19 you've told us in words earlier today that Manitoba Hydro
20 applies the use of the average price of extraprovincial
21 sales during the past two (2) years for its firm exports?

22 MR. ROBIN WIENS: Yes.

23 MR. BOB PETERS: Why is it, Mr. Wiens and
24 Mr. Surminski, your marginal rate, or proxy for marginal
25 rate, wasn't Wuskwatim pricing or wind pricing or even

1 Pointe Du Bois pricing after refurbishment?

2

3 (BRIEF PAUSE)

4

5 MR. ROBIN WIENS: I believe, as we
6 responded in response to one (1) of the Information
7 Requests, Wuskwatim -- Wuskwatim is now required for
8 domestic usage and the most recent two (2) years of firm
9 export revenue provide us with -- albeit lagging, but
10 provide us with an indication of what that energy is
11 worth in its -- in its best use, in terms of the best
12 price that Manitoba Hydro can acquire for that energy.

13

14 (BRIEF PAUSE)

15

16 MR. VINCE WARDEN: Mr. Peters, do you
17 have a question or --

18 MR. ROBIN WIENS: Or were you awaiting a
19 response?

20 MR. BOB PETERS: I was wondering if you
21 had an answer -- I was wondering, Mr. Wiens, if you had
22 an answer as to why wind or Pointe du Bois might not be
23 an appropriate proxy price if Wuskwatim is not?

24 MR. VINCE WARDEN: First of all wind, Mr.
25 Peters, isn't firm, so I don't think it would be

1 appropriate to use wind as a proxy. Wuskwatim is coming
2 into service in 2011, and so for this purpose we -- while
3 we could have discounted that -- the value of Wuskwatim
4 to arrive at a marginal value, that isn't what we did in
5 this instance. That's an alternative way of developing
6 marginal cost pricing, but that isn't what we've -- we've
7 done here.

8 I think if we did that we would come to a
9 number not too significantly different though, than what
10 we've developed here. And -- and the -- and the
11 advantage of what we've done is it's, as we've stated
12 previously, is it's transparent.

13 MR. BOB PETERS: When you say
14 "transparent," Mr. Warden, where will the Board find that
15 transparent information?

16 MR. VINCE WARDEN: Well, that is the --
17 the average of the past two (2) years of firm energy
18 sales, which is a matter of record.

19 MR. BOB PETERS: A matter of record at
20 the GRAs or is it a matter of record on -- on the public
21 record elsewhere?

22 MR. VINCE WARDEN: It -- that number is
23 certainly available, whether we put it on the record at
24 the GRA or whether it's something that's requested at the
25 GRA, but it's a number that could be produced.

1 MR. BOB PETERS: There's no suggestion
2 that, you know, for example at Tab 9 of the book of
3 documents there's some NEB data that Mr. Surminski warned
4 us about, it's a matter of interpretation, that's not the
5 transparent information that you're referring to? It may
6 be part of what goes into determining the amount, but
7 it's not -- we can't use that data to come up with your
8 prices?

9 MR. VINCE WARDEN: That's right. It
10 would be part of that, but you couldn't use that for that
11 purpose.

12 MR. BOB PETERS: Okay. Mr. Surminski,
13 just a few quick questions before I'll ask for a recess
14 this afternoon.

15 In terms of extraprovincial sales, there's
16 been a distinction drawn between firm and opportunity and
17 that's a primary distinction that the Corporation makes,
18 correct?

19 MR. HAROLD SURMINSKI: Yes, that's
20 correct.

21 MR. BOB PETERS: Firm -- firm in -- is
22 from what Manitoba Hydro considers as dependable
23 resources?

24 MR. HAROLD SURMINSKI: Yes, firm is
25 energy derived or backed-up by dependable resources, yes.

1 MR. BOB PETERS: And in terms of
2 hydraulic or water resources, firm is backed up by
3 Manitoba Hydro has concluded is its -- the amount of
4 water it's going to get even in a low-flow year?

5 MR. HAROLD SURMINSKI: Yes, that's
6 correct.

7 MR. BOB PETERS: And opportunity are
8 exports that you make that go over and above whatever you
9 have as dependable energy; it's the surplus, if you will?

10 MR. HAROLD SURMINSKI: Yes.

11 MR. BOB PETERS: You sell that
12 opportunity?

13 MR. HAROLD SURMINSKI: Yes, above
14 dependable, right.

15 MR. BOB PETERS: Now, when -- when you
16 have firm export sales -- you and Mr. Chernick are going
17 to get me corrected on this -- that 90 percent of them
18 are made as on-peak, correct?

19 MR. HAROLD SURMINSKI: Yes, and in fact
20 the table is, in your book of documents, Item 8, the last
21 page of that; that's where I got my 10 percent, because
22 there is dependable energy sales and there's winter peak
23 and winter off-peak, summer peak and summer off-peak, and
24 there's volumes associated with each of those. And
25 you'll see that the off-peak volumes are -- are less than

1 10 percent of on-peak.

2 MR. BOB PETERS: When you make a firm
3 extraprovincial sale, Mr. Surminski, there's usually
4 specified capacity and energy at a set rate?

5 MR. HAROLD SURMINSKI: Yes, subject to
6 escalation but -- subject to a formula.

7 MR. BOB PETERS: And your firm sales into
8 MISO, would those be 90 percent again on-peak and 10
9 percent off-peak?

10 While you're looking for that answer, the
11 -- the MISO is the acronym for Midwest Independent System
12 Operator?

13 MR. HAROLD SURMINSKI: Yes, that's
14 correct.

15 MR. BOB PETERS: And it's a region that
16 encompasses Manitoba and some northern states?

17 MR. HAROLD SURMINSKI: Yes, it's -- it's
18 a very large area right now, extending into midwest, very
19 widely spread out in the US.

20 MR. BOB PETERS: So back to my question,
21 Mr. Surminski. Are 90 percent of the sales into MISO
22 firm sales or is it 100 percent?

23 MR. HAROLD SURMINSKI: I don't know
24 exactly where the 10 percent is coming from here. I
25 would -- it would require Mr. Cormie to maybe explain

1 that one.

2 MR. BOB PETERS: Do you know if that 10
3 percent relates to a Lake St. Joseph sale that Manitoba
4 Hydro makes for reservoir operation purposes?

5 MR. HAROLD SURMINSKI: No, it's not that
6 large. There would be some component of that, but that's
7 a relatively small sale.

8 MR. BOB PETERS: Okay. Recognizing Mr.
9 Cormie's not here and -- and certainly we want him to
10 provide the Board with the best and most accurate
11 information, but for what you saw on this last page 8-4
12 in Tab 8 of the book or documents I've provided, that's a
13 supplementary response to an Information Request that was
14 given.

15 But foreseeing that -- that off peak
16 dependable either off peak in winter and off peak in
17 summer, you would have answered that there was 100
18 percent of the sales to MISO were -- were based on peak
19 sales, Mr. Surminski?

20 MR. HAROLD SURMINSKI: Yes. The sales
21 that I'm familiar with are 5 by 16 which is all on peak
22 hours.

23 MR. BOB PETERS: All right. 5 by 16
24 again, just to refresh my memory, that means five (5)
25 days a week, sixteen (16) hours a day starting at 7:00

1 a.m. and ending at 11:00 p.m.

2 MR. HAROLD SURMINSKI: Yes, Monday to
3 Friday.

4 MR. BOB PETERS: Yes. And so that 5 by
5 16 is approximately 47 percent of the seven (7) day week,
6 isn't it?

7 MR. HAROLD SURMINSKI: Yes, that's
8 correct.

9 MR. BOB PETERS: So when you are
10 exporting on peak, your on peak is 47 percent of the time
11 and then your off peak would be the other 8 by -- or
12 sorry, 7 by 8 or whatever it be called?

13 MR. HAROLD SURMINSKI: 7 by 8 and -- and
14 all hours on the weekend on the two (2) Saturday, Sunday.

15 MR. BOB PETERS: Right. Now firm
16 exports, Mr. Surminski, those don't include any sales
17 that are made to Ontario and Saskatchewan maybe but for
18 this Lake St. Joseph issue that we'll clarify.

19 But those -- those sales to Ontario and
20 Saskatchewan aren't made as firm sales, are they?

21 MR. HAROLD SURMINSKI: We could have
22 sales to Ontario and Saskatchewan that are firm. We --
23 we did in the past have firm sales to Ontario.

24 MR. BOB PETERS: But you don't in the two
25 (2) years that under review for setting of the rate as

1 the proxy for the Energy Intensive Rate?

2 MR. HAROLD SURMINSKI: No, I believe
3 that's right. In this last two (2) years we -- we did
4 not have any.

5 MR. BOB PETERS: And in terms of
6 opportunity sales on the other side of the ledger, those
7 are from the excess capacity over and above dependable
8 energy, correct?

9 MR. HAROLD SURMINSKI: Yes.

10 MR. BOB PETERS: And in the past few
11 years, you've had a lot of energy above dependable
12 energy?

13 MR. HAROLD SURMINSKI: Yes, due to very
14 good water flows.

15 MR. BOB PETERS: And in fact, in Mr.
16 Warden's second quarter report for the Corporation, good
17 water flows are credited for the financial health of the
18 Corporation so far this year with -- with an expectation
19 it's going to continue.

20 MR. VINCE WARDEN: Yes.

21 MR. BOB PETERS: Mr. Surminski, those
22 opportunity sales are sold on the export market at a
23 market price, however that market determines the price.

24 MR. HAROLD SURMINSKI: Yes, that's
25 correct.

1 MR. BOB PETERS: And essentially what
2 you're telling the Board is for those opportunity sales,
3 it's what the market will bear.

4 MR. HAROLD SURMINSKI: Yes.

5 MR. BOB PETERS: It doesn't matter what
6 it costs Manitoba Hydro to generate it, it's what the
7 market will bear and pay for your electrons when they get
8 them.

9 MR. HAROLD SURMINSKI: Yes, that's right.

10 MR. BOB PETERS: And in putting your
11 proxy together based on firm energy and the export sales,
12 one (1) of the points that you've indicated is that you
13 have to back out a demand rate from it because you've
14 told me that your contract on firm exports contains one
15 price for both demand and capacity -- or demand and
16 energy.

17 MR. HAROLD SURMINSKI: Many export sales
18 do have separate components for energy and demand and
19 they could be -- but they're not necessarily
20 representative of their real value of -- of capacity or
21 demand.

22 They're just negotiated numbers between
23 the two (2) components. So there's different reasons for
24 -- Mr. Wiens is the -- is the person responsible for
25 backing out the capacity number. But we really assume,

1 you know, the total revenues with an export sale of both
2 capacity and energy combined is -- is the value of the
3 product.

4 MR. BOB PETERS: Well, what you do on --
5 on book of documents Tab 8, the first page 8-1, is you
6 take the average two (2) year firm energy export price
7 and then Mr. Wiens backs out of it a demand charge based
8 on what the current approved demand charge is by this
9 Board.

10 MR. HAROLD SURMINSKI: Yes, that's
11 correct.

12 MR. BOB PETERS: Mr. Chairman, if the
13 Board was interested in an afternoon break, this might be
14 an appropriate time.

15 THE CHAIRPERSON: Yes, I think our
16 interest is mounting. Thank you.

17

18 --- Upon recessing at 2:47 p.m.

19 --- Upon resuming at 3:09 p.m.

20

21 THE CHAIRPERSON: Ms. Ramage, are we
22 correct in interpreting this is what Mr. Landry was
23 seeking?

24 MS. PATTI RAMAGE: I believe it is. It's
25 Mr. Williams' speaking notes. To be clear, it's -- it

1 will not be verbatim to what was on the transcript.

2 THE CHAIRPERSON: Thank you for the
3 effort. Thank you. Mr. Peters...?

4

5 CONTINUED BY MR. BOB PETERS:

6 MR. BOB PETERS: Thank you. Mr.
7 Chairman, at Tab 9 of the book of documents that I've
8 circulated is the determination of the energy rate, and I
9 wanted to just finish up on that with Mr. Wiens'
10 assistance.

11 Mr. Wiens, if I can paraphrase it, Mr.
12 Surminski gives you the two (2) year average of firm
13 export energy prices, and I'm looking at Tab 8, Document
14 8.1.

15 He gives you the two (2) year average
16 that's rounded to 5.53 cents a kilowatt hour, and from
17 that you subtract a demand charge to give the energy rate
18 in cents per kilowatt hour.

19 MR. ROBIN WIENS: Well, that's correct,
20 except for the name of Mr. Surminski. That's -- that's
21 the part that is not correct.

22 MR. BOB PETERS: Well, I thought before
23 the break he told me he derived the first part of it, and
24 you did the second part of it? That's only -- that was
25 my only reference, so I -- it's not germane.

1 MR. HAROLD SURMINSKI: It's Mr. Cormie.

2 That's what --

3 MR. BOB PETERS: I'm sorry.

4 MR. HAROLD SURMINSKI: -- the nuance is.

5 MR. BOB PETERS: All right. I now have
6 Mr. Wiens' answer in perspective.

7 What you're showing the Board is that from
8 the average price of 5.53 cents, you subtract 74 cents,
9 which is the calculated amount of the demand charge, and
10 that yields 4.79 cents rounded for the -- for the energy
11 above baseline.

12 MR. ROBIN WIENS: That's right.

13 MR. BOB PETERS: Mr. Wiens and Mr.
14 Surminski -- and Mr. Surminski was the one (1) who was
15 reading ahead to the last page, 8.4, in Tab 8 of the book
16 of documents.

17 That contains a supplementary answer to an
18 Information Request asked on behalf of the Board, and
19 when I look at that page 8.4, I don't find the numbers
20 that we see on page 8.1 of 8.4, and I appreciate there's
21 some qualifications there.

22 My question, Mr. Wiens and Mr. Surminski,
23 is instead of -- of 4.79 cents -- no, let me ask it this
24 way. Instead of 5.53 cents isn't the two (2) year
25 average 5.416 cents?

1 MR. ROBIN WIENS: If you look
2 specifically at the -- at these numbers, and you're --
3 you're looking at the dependable energy sales, I -- I
4 believe that would be correct.

5 The issue here is the -- is in the
6 treatment of exclusion of merchant and hedging, and
7 adjustments due to contracts for differences and, you
8 know, three (3) weeks ago I could have probably explained
9 this.

10 Right now I'm not sure that I can, so, I
11 think if -- if that's all right, Mr. Peters, I could give
12 you a more detailed -- or someone could give you a more
13 detailed explanation tomorrow.

14 MR. BOB PETERS: All right. Just so
15 we're specifically clear for the Board's benefit, way
16 back at Tab 1 of the book of documents, I took you to the
17 two (2) specific numbers or rate numbers that were being
18 sought -- approval for which is being sought and as a
19 result of the supplemental answer, I'm wondering if those
20 numbers now change, Mr. Wiens, and that's what I'd like
21 you to consider overnight with your colleagues.

22 MR. HAROLD SURMINSKI: I can add
23 something here. I believe Mr. Cormie's in a position to
24 comment on why these numbers are different.

25 But my understanding is these on page 8-4

1 are -- or should not be used as being representative.
2 The earlier numbers are the more correct ones.

3 MR. BOB PETERS: All right. And Mr.
4 Cormie is the one who's going to tell me -- tell the
5 Board why?

6 MR. HAROLD SURMINSKI: Yes.

7 MR. BOB PETERS: All right. Well then
8 let's hold that over till tomorrow morning and we'll --
9 we'll remember to ask Mr. Cormie that.

10 Mr. Wiens, you mentioned a word that
11 hadn't been used today and that was "merchant sales" or
12 "merchant exports."

13 As I understand it, Manitoba Hydro
14 purchases electricity in the United States; has
15 transmission capability rights and sells it into Ontario.
16 Is that factually true?

17

18 (BRIEF PAUSE)

19

20 MR. HAROLD SURMINSKI: Generally correct.
21 We believe -- Mr. Cormie is, of course, in a better
22 position and he could do it tomorrow.

23 But the -- the transmission rights' aspect
24 is what we're not sure about. We -- we deal with a third
25 party who has -- who has the marketing rights, export

1 marketing or -- the authority to trade. We do not have
2 authority to trade within the US, so, we go through a
3 third party to do that.

4 MR. BOB PETERS: All right. I may have
5 described it incorrectly.

6 Mr. Surminski, I -- I may have been a
7 little to precise then with my questioning but merchant
8 sales are where you buy power in a different jurisdiction
9 than Manitoba and you then sell it in a jurisdiction
10 different than Manitoba.

11 Do you agree with that?

12

13 MR. VINCE WARDEN: Manitoba Hydro has
14 transactions in the day-ahead market and MISO which we
15 can settle through a purchase transaction in the US if we
16 can find a price in Ontario that's higher than the
17 transaction that we arrange the day before.

18 So we have to settle that transaction
19 physically but to do that, we can buy power in the US for
20 -- for that purpose if there's an opportunity to sell
21 that into the US at a higher -- I'm sorry, into Ontario
22 at a higher price. So that's essentially what the
23 merchant transaction accomplishes.

24 MR. BOB PETERS: All right. Besides
25 being a little confused or more so, Mr. Warden, the

1 merchant -- the merchant sales then are only to
2 physically cancel out a position taken by Manitoba Hydro
3 in the day-ahead market?

4 MR. VINCE WARDEN: You know, it might be
5 just as well to -- to leave this question until tomorrow.
6 Essentially -- that wouldn't be the only transaction, the
7 one I described. There's other merchant transactions
8 that probably would be better described by Mr. Cormie
9 when he arrives tomorrow.

10 MR. BOB PETERS: All right. Where are we
11 going for this for the benefit of the Board in this
12 Hearing is: Are any of the prices obtained on those
13 merchant sales included in the firm export prices that
14 form part of the proxy rate that Manitoba Hydro is
15 seeking approval of?

16 MR. HAROLD SURMINSKI: My understanding
17 is they are not included.

18 MR. BOB PETERS: And then if they are not
19 included, Mr. Surminski, remind me to ask your colleague
20 Mr. Cormie then why page 8.4 isn't the better
21 determination of the proxy than the one presently being
22 used.

23 All right? That's something that I'd like
24 you to consider overnight.

25

1 (BRIEF PAUSE)

2

3 MR. BOB PETERS: Mr. Surminski, in
4 supplementary answer PUB-25 -- and again, Mr. Chairman, I
5 apologise, it's not in the book of documents -- there's
6 an answer given whereby Manitoba Hydro talks about its
7 opportunity Canadian exports and they source energy from
8 the MISO market. Have you located that Information
9 Request, the supplementary answer, Mr. Wiens and Mr.
10 Surminski?

11 MR. HAROLD SURMINSKI: Yes, the
12 clarification? It says, "clarification" in the upper
13 right-hand corner?

14 MR. BOB PETERS: No, it says,
15 "supplementary" on my copy; yours may be an internal
16 copy.

17

18 (BRIEF PAUSE)

19

20 MR. BOB PETERS: In this answer, so the
21 Board is clear when it reviews it, is it correct that
22 there are MISO purchases which are shown in the right-
23 hand column that are purchased and then sold into the
24 Canadian export market? Do you know that to be the case?

25 MR. HAROLD SURMINSKI: I think this is a

1 question better posed to Mr. Cormie again.

2 MR. BOB PETERS: All right. Thank you.
3 Then let's turn to book of documents, tab 9. And Mr.
4 Warden has told me that in an effort to be more
5 transparent the price of firm exports on an annual basis
6 is available from -- from Manitoba Hydro and what I'm
7 wondering is whether or not the data that's contained in
8 PUB book of documents Tab 9, whether that is the source
9 of the US prices that form the proxy of the rate that's
10 being proposed.

11 Is anyone on the panel aware of that or is
12 that a question that we should defer as well?

13 MS. PATTI RAMAGE: Mr. Peters, could you
14 just repeat the reference to make sure we're all on the
15 same page?

16 MR. BOB PETERS: Yes, I apologize. I
17 have it at tab 9 of the book of documents. It's response
18 PUB/Manitoba Hydro First Round 14E.

19 And we've learned of this data at the GRA
20 as being NEB data. Mr. Surminski, you're familiar with
21 it?

22 MR. HAROLD SURMINSKI: Yes, I am and --
23 and as I commented earlier it's -- it's not the raw data,
24 it's the data that's submitted in our reporting to the
25 National Energy Board, the NEB, in -- in a format that

1 they require so it's not our conventional means of -- of
2 summarising our data.

3

4 CONTINUED BY MR. BOB PETERS:

5 MR. BOB PETERS: Can you tell the Board
6 whether this is the only public source of data that
7 contains the Manitoba Hydro price summaries for the MISO
8 market?

9 MR. HAROLD SURMINSKI: I would say yes,
10 this is the only public source that I know of.

11 MR. BOB PETERS: But you're also telling
12 the Board that even this public source doesn't give you
13 the numbers that Manitoba Hydro has used in deriving the
14 proposed rate?

15 MR. HAROLD SURMINSKI: Yes, it contains
16 some of the sales, but it doesn't necessarily contain or
17 give the complete picture and our -- our firm sales are -
18 - are not only to MISO, they're -- they're firm sales
19 that we use for the proxy; they're not only MISO.

20

21 (BRIEF PAUSE)

22

23 MR. BOB PETERS: If I understood your last
24 answer, Mr. Surminski, you're telling the Board that to
25 get the proxy price which is shown on book of documents,

1 Tab 8, page 8.1, that price of firm export energy into
2 the States is only partially made up of the MISO price?

3 MR. HAROLD SURMINSKI: I would say yes.
4 Again, Mr. Cormie is responsible for the historic
5 compilation of numbers like this.

6 MR. BOB PETERS: All right. And I don't
7 want to take away his thunder but can you just suggest to
8 the Board where else would the firm export sales prices
9 be other than from MISO?

10 MR. HAROLD SURMINSKI: I was going to say
11 Ontario but I guess we earlier had agreed that there
12 aren't any so maybe it does defer to -- to be only MISO
13 for these specific years. In general, firm prices, we --
14 when we compile firm we total all -- all sales.

15 MR. BOB PETERS: I -- I appreciate that
16 and -- and you were -- you were looking at a bigger
17 picture than maybe I was, but there are no firm sales
18 made by Manitoba Hydro to any other Canadian province;
19 you agree with me?

20 MR. HAROLD SURMINSKI: For these last two
21 (2) years I believe that's the case, yes.

22 MR. BOB PETERS: All right. And the only
23 exception to that might be this -- this lake reservoir
24 management issue that -- that Manitoba Hydro has that you
25 can clarify?

1 MR. HAROLD SURMINSKI: Yes --

2 MR. BOB PETERS: But to your knowledge,
3 there are no firm sales to other Canadian provinces?

4 MR. HAROLD SURMINSKI: Yes, that's to the
5 best of my knowledge.

6 MR. BOB PETERS: All right. And if that
7 is correct, Mr. Cormie will be able to confirm then that
8 the derivation of the proxy price was entirely from MISO
9 market firm export sales?

10 MR. HAROLD SURMINSKI: We'll have to wait
11 for him to do that, yes.

12 MR. BOB PETERS: We will. Let's hope
13 he's sprinting here as we speak.

14

15 (BRIEF PAUSE)

16

17 MR. BOB PETERS: Rather than prorogue --
18 got that on the record -- I want to talk about tie line
19 capacity restraints and, Mr. Surminski, is this something
20 that I can deal with you about or is -- again, Mr. Cormie
21 also has input into this area?

22 MR. HAROLD SURMINSKI: I would say it
23 would be better to defer so he would get the entire
24 picture and the context of previous discussion when --
25 when he's here.

1 MR. BOB PETERS: All right, that's not an
2 unfair suggestion, but let's just set the table for that.

3 In the Order 116/08 that the Board
4 published in response to the General Rate Application, on
5 page 378 of the extract, at tab 2 of the book of
6 documents, the Board wrote, and I'll read it for the
7 record. And I'll -- I'll read selectively so if you
8 think something more should be read please do. I'm
9 starting halfway down the page called, "Marginal Cost
10 Values for Export:

11 "Manitoba Hydro's case for increased
12 rates to energy-intensive industry
13 assumes that all energy used by
14 industrial growth could alternatively
15 be sold as peak market exports."

16 And then I'll skip down:

17 "In light of the transmission tie-line
18 constraints, the Board questions
19 Manitoba Hydro assumptions on the
20 relative value of export sales and
21 domestic load growth during the off-
22 peak period. Accordingly, the Board
23 directs Manitoba Hydro to provide an
24 in-depth analysis of the value of peak
25 versus off-peak energy sales into the

1 MISO market."

2 The portions I read, Mr. Surminski, I read
3 accurately?

4 MR. HAROLD SURMINSKI: Yes, you have.

5 MR. BOB PETERS: And would it also be
6 correct that Manitoba Hydro has not prepared an in-depth
7 analysis of the value of peak versus off-peak energy
8 sales into the MISO market as of yet but it did answer an
9 Information Request related to that and provided some
10 charts and graphs if I recall?

11 MR. HAROLD SURMINSKI: Yes, I recall the
12 response with the graphs of the MISO market.

13 MR. BOB PETERS: All right, and that was
14 PUB-12B for the record.

15 The premise of this portion that I read,
16 when I read it, seems to suggest that the Board is of the
17 view that there are tie-line constraints that may impact
18 the ability of Manitoba Hydro to get firm prices and peak
19 prices for its export energy that would otherwise be used
20 by energy-intensive industries in Manitoba. Is that how
21 you read it as well?

22 MR. HAROLD SURMINSKI: Yes, and
23 particularly the off-peak period.

24 MR. BOB PETERS: And in response to that,
25 if I've understood your evidence both on direct and in

1 some of the questions that have already been asked,
2 Manitoba Hydro's position is that very seldom is Manitoba
3 Hydro constrained by tie-lines from exporting firm
4 energy.

5 Is that Manitoba Hydro's position?

6 MR. HAROLD SURMINSKI: Yes. And by firm
7 energy dependable sales and that's absolutely the case
8 because dependable sales make up a small, relatively
9 small portion of our total export portfolio, maybe 50
10 percent in -- in sort of average flow conditions.

11 MR. BOB PETERS: And the suggestion that
12 you want me to explore with Mr. Cormie tomorrow is
13 whether or not there are capacity -- sorry, tie-line
14 capacity constraints from exporting additional firm
15 energy to the United States.

16 MR. HAROLD SURMINSKI: Yes. The
17 percentage of the time is the issue. You know, there are
18 constraints that do occur for some small percentage.

19 We, you know, we indicate it's a small
20 percentage of the time. It's -- it's a question, you
21 know, what is that percentage of time.

22

23 (BRIEF PAUSE)

24

25 MR. BOB PETERS: Mr. Cormie, leaving

1 aside the -- sorry, Mr. Surminski, leaving aside the
2 exports into the MISO market, is Manitoba Hydro
3 constrained by tie-line capabilities from making other
4 peak sales?

5 MR. HAROLD SURMINSKI: I'm not sure.
6 It's a question -- other than MISO?

7 MR. BOB PETERS: I want to include MISO
8 in the answer that you give me, Mr. Surminski.

9

10 (BRIEF PAUSE)

11

12 MS. PATTI RAMAGE: Mr. Peters, are you
13 asking if we're constrained on opportunity sales in the
14 peak? Is that what you're getting at?

15

16 CONTINUED BY MR. BOB PETERS:

17 MR. BOB PETERS: Yes. If we turn to book
18 of documents 8.4, Ms. Ramage is helping me craft my
19 question along with others.

20 And as we see on 8.4, it's the response,
21 Mr. Surminski, that was provided to PUB 14C Supplemental.
22 What the board will see is that Manitoba Hydro made
23 dependable energy sales and you've already told us
24 dependable energy is those -- are those resources that
25 you will have even in low flow years.

1 And you make both on-peak and off-peak in
2 winter and on-peak and off-peak in summer, correct?

3 MR. HAROLD SURMINSKI: Yes.

4 MR. BOB PETERS: I'll take your nodding
5 as a yes.

6 MR. HAROLD SURMINSKI: Yes, that's
7 correct.

8 MR. BOB PETERS: And what you told the
9 Board before was ballpark 10 percent of those sales of
10 dependable energy occur as off-peak and 90 percent would
11 be considered on-peak.

12 MR. HAROLD SURMINSKI: Yes. I did just a
13 rough calculation of that.

14 MR. BOB PETERS: All right. And you're
15 telling the Board that very seldom, and we'll pin Mr.
16 Cormie to a number, but very seldom is Manitoba Hydro
17 constrained by tie-line capabilities from making the
18 dependable on-peak sales.

19 Am I correct?

20 MR. HAROLD SURMINSKI: Yes.

21 MR. BOB PETERS: And when we get to
22 opportunity sales, opportunity sales are made from the
23 energy that is available over and above dependable
24 energy, you've told us, correct?

25 MR. HAROLD SURMINSKI: Yes, correct.

1 MR. BOB PETERS: And opportunity energy
2 sales includes both on-peak and off-peak sales as well,
3 correct?

4 MR. HAROLD SURMINSKI: Correct.

5 MR. BOB PETERS: And, in fact, some of
6 the off-peak sales -- sorry, some of the on-peak sales
7 are shown in summer are of some significant value,
8 correct?

9 MR. HAROLD SURMINSKI: Yes, that's
10 correct.

11 MR. BOB PETERS: Are those opportunity
12 summer on-peak sales constrained because of tie-line
13 capabilities?

14 MR. HAROLD SURMINSKI: That is difficult
15 to -- to say just by looking at these numbers.

16 MR. BOB PETERS: I wasn't suggesting
17 these numbers could answer that --

18 MR. HAROLD SURMINSKI: No.

19 MR. BOB PETERS: -- but I was just saying
20 that that would categorise the type of sales you're
21 making and I'm wondering if you are constrained on the
22 opportunity side if not on the dependable side?

23 MR. HAROLD SURMINSKI: Yes, I would think
24 so, but again, Mr. Cormie is in a better position to
25 answer this; he's in the operating end and he experiences

1 this every day.

2 MR. BOB PETERS: Let's use the time we
3 have to cover off some other areas and I'll -- I'll
4 revisit that in the morning maybe.

5 I want to turn to a new topic specifically
6 related to the application and that is the baseline. And
7 the baseline's relevance you told us, Mr. Wiens, was that
8 if you are consuming energy above baseline, it's that
9 portion above baseline that's going to attract the new
10 energy-intensive industry rate, correct?

11 MR. ROBIN WIENS: Yes.

12 MR. BOB PETERS: And below that it's
13 going to be at the embedded cost rate or the heritage
14 rate?

15 MR. ROBIN WIENS: Yes.

16 MR. BOB PETERS: And you've told the
17 Board that the baseline was to be calculated based on the
18 maximum twelve (12) month consumption out of the previous
19 thirty-six (36) prior to March 31 of '08?

20 MR. ROBIN WIENS: Yes.

21 MR. BOB PETERS: Now, when we were at the
22 GRA, Manitoba Hydro, certainly in the closing arguments,
23 perhaps even in the evidentiary portion, indicated that
24 it wanted the Board to preserve December 31 of 2007 as a
25 placeholder day to keep track of any industry growth or

1 plans; is that correct?

2 MR. MICHAEL DUDAR: That's correct.

3 MR. BOB PETERS: And while you weren't on
4 the microphone, Mr. Dudar, you were aware of that?

5 MR. MICHAEL DUDAR: That's correct.

6 MR. BOB PETERS: And in essence, you
7 wanted December 31 to be a date preserved by the Board in
8 its order so that any expanding industry would be
9 measured against the December 31/'07 cut-off?

10 MR. MICHAEL DUDAR: That's correct.

11 MR. BOB PETERS: Can you indicate to the
12 Board why you have changed from the December 31 date to
13 the March 31/'08 date?

14 MR. MICHAEL DUDAR: When we -- when we
15 changed materially the -- the rate, we added the 1,500
16 gigawatt hour cap and in the absence of the cap, we would
17 have still been asking for a December 31st date. The
18 addition of the cap eliminates the need for the -- for --
19 for that date.

20 MR. BOB PETERS: What you're telling the
21 Board is that whatever customers would have expanded
22 after December 31st, 2007, that growth has been factored
23 into your rate analysis by putting a hard cap of 1,500
24 gigawatt hours a year, right?

25 MR. MICHAEL DUDAR: That's correct.

1 MR. BOB PETERS: Is it a leap to suggest
2 that it really then targets one (1) and only one (1)
3 customer?

4 MR. MICHAEL DUDAR: Without mentioning
5 names, that would probably be true.

6 MR. BOB PETERS: And I get that from Mr.
7 Warden telling us of the -- the largest customer the
8 Corporation has; that's the one (1) that would now have
9 any growth captured by the hard cap as opposed to the
10 December 31/'07 date?

11 MR. MICHAEL DUDAR: That's correct.

12 MR. BOB PETERS: Mr. Dudar, the baseline
13 could be set on a different time frame than -- than
14 included in your filing if there were unusual conditions
15 existing, correct?

16 MR. MICHAEL DUDAR: That's correct.

17 MR. BOB PETERS: Now, in the Information
18 Request process we explored that a little bit, but if
19 there was some economic downturn in the three (3) years
20 before March 31 of '08, that may give rise to the
21 Corporation allowing the industry to set a baseline that
22 would be higher than its last three (3) years of
23 consumption?

24

25

(BRIEF PAUSE)

1 MR. MICHAEL DUDAR: We -- we hadn't
2 considered a specific economic downturn, but -- but any
3 -- any unusual circumstance that continued for the full
4 term of that period we -- we would have considered.

5 MR. BOB PETERS: And in fairness to you,
6 sir, there was a definition that was referenced to your
7 terms and conditions of service as to what might be those
8 unusual conditions. Are you telling the Board that
9 economic downturn would not be one of them?

10 MR. MICHAEL DUDAR: If it had occurred
11 for the three (3) year period it would have been.

12 MR. BOB PETERS: All right. It would be
13 considered an unusual condition that would give them
14 relief from the baseline setting dates?

15 MR. MICHAEL DUDAR: That's correct.

16 MR. BOB PETERS: Is Manitoba Hydro, as it
17 sits here today, aware of any customer who will invoke
18 the unusual condition clause to have their baseline set?

19 MR. MICHAEL DUDAR: We are not aware of
20 any.

21 MR. BOB PETERS: Have any of these
22 potential ten (10) customers been downsized in the last
23 five (5) years or have they all grown?

24 MR. MICHAEL DUDAR: Some have downsized,
25 some have remained stable, and some have grown.

1 MR. BOB PETERS: Is the purpose of
2 setting that baseline based on the highest twelve (12)
3 months' consumption in the three (3) years preceding
4 March 31 of 2008 to give recognition that today's
5 infrastructure is to accommodate today's loads at
6 Heritage rates?

7

8 (BRIEF PAUSE)

9

10 MR. ROBIN WIENS: I -- I think we were
11 considering words that appeared in a recent Board Order
12 that referenced that existing customers came and
13 established these loads at a time when only an embedded
14 cost type rate applied and that that could be recognized.
15 So this setting of the baseline is, of course, intended
16 to recognize that.

17 MR. BOB PETERS: But it also will give
18 100 gigawatt hours a year for new customers at the
19 Heritage rates?

20 MR. ROBIN WIENS: Yes.

21 MR. BOB PETERS: And that -- that's to
22 customers who haven't been here or who have existed in
23 Manitoba previously, but they get the benefit of at least
24 100 gigawatt hours a year at Heritage rates?

25 MR. ROBIN WIENS: Yes.

1 MR. BOB PETERS: Point of clarification,
2 Mr. Dudar, if a customer is less than 100 gigawatt hours
3 a year in their consumption, is there a baseline
4 immediately set at 100 gigawatt hours a year?

5 MR. MICHAEL DUDAR: Their -- their
6 baseline is set at a hundred once they -- once they
7 exceed 100 gigawatt hours.

8 MR. BOB PETERS: Okay. I'm not sure much
9 turns on it, but if just showing up in the province and
10 getting a Manitoba Hydro account, if you're over 30 kV in
11 terms of service voltage, that doesn't automatically get
12 you a baseline?

13 MR. MICHAEL DUDAR: No.

14 MR. BOB PETERS: So your baseline doesn't
15 get fixed until you consume at least 100 gigawatt hours a
16 year?

17 MR. MICHAEL DUDAR: It would depend on
18 what the customer estimated their -- their load to be and
19 -- and if their estimated load was to be more than 100
20 gigawatt hours we would set their baseline at a hundred.
21 If their estimated load was, say, ninety-five (95), we
22 would take them at their word and if their load exceeded
23 their estimated value, their baseline would be set at a
24 hundred and they would be subject to the new rate.

25 MR. BOB PETERS: The new rate in the

1 latter months of the year when they exceeded the
2 cumulative total of 100 gigawatt hours a year?

3 MR. MICHAEL DUDAR: That's correct.

4 MR. BOB PETERS: And that 100 gigawatt
5 hours a year for this new customer, they would also get
6 growth allowance?

7 MR. MICHAEL DUDAR: That's correct.

8 MR. BOB PETERS: But that growth
9 allowance doesn't start until the year in which the
10 baseline is set at a hundred?

11 MR. MICHAEL DUDAR: That's correct.

12 MR. BOB PETERS: Without pulling out the
13 IR response, there was a suggestion that for existing
14 customers and to recognize perhaps their capital
15 commitments to the province of Manitoba, one (1) of the
16 methods to set the baseline would be based on the
17 installed plant capacity.

18 MR. MICHAEL DUDAR: That's correct.

19 MR. BOB PETERS: And was that considered
20 by Manitoba Hydro?

21 MR. MICHAEL DUDAR: We had looked at
22 that.

23 MR. BOB PETERS: Well, why was it
24 rejected?

25 MR. MICHAEL DUDAR: The -- the installed

1 -- the installed plant -- the -- the installed
2 transformation or the maximum capacity of the incoming
3 transformer is not necessarily representative of the
4 capacity of the plant itself.

5 Many times a customer will install a --
6 additional transformation in anticipation of -- of some
7 future growth because of costs at the time.

8 So many times the installed capacity of
9 the transformer is less than the installed capacity of
10 the equipment within the facility.

11 MR. BOB PETERS: Well, then maybe the --
12 the proper measure is the installed capacity of the --
13 the equipment in the plant, not just the transformation.

14 Was that considered?

15 MR. MICHAEL DUDAR: We didn't necessarily
16 look at that.

17 MR. BOB PETERS: From a price of energy
18 perspective -- from a price of energy perspective, Mr.
19 Dudar, is there a competitive disadvantage to a new
20 customer coming to Manitoba to compete with an existing
21 customer that's over 100 gigawatt hours a year?

22

23 (BRIEF PAUSE)

24

25 MR. MICHAEL DUDAR: If the existing

1 customer is significantly more than 100 gigawatt hours,
2 the new customer would be at a competitive disadvantage
3 based -- based on electricity prices if that was a high
4 enough portion of their operating cost.

5 MR. BOB PETERS: Fair -- fair question --
6 fair answer I mean to a -- to qualify that question.

7 What you're indicating is that an existing
8 customer, for example, could have a 200 gigawatt hour a
9 year baseline and a new industry coming to Manitoba would
10 only get, of the same size of plant, doing the same
11 number of widgets, would have a need for 200 gigawatt
12 hours a year but they would only get half of that at
13 heritage rates, correct?

14 MR. MICHAEL DUDAR: That's correct. And
15 the other thing is the -- the new plant may be more
16 energy efficient and employ new technologies that aren't
17 being utilized in the older plant.

18 So they -- they may not necessarily see
19 the full disadvantage depending on the efficiency of the
20 equipment they install.

21 MR. BOB PETERS: Well, could you not say
22 that the new customer is being -- being disadvantaged by
23 bringing in an energy efficient plant because that
24 customer won't get any DSM or energy efficiency upgrades
25 because none are needed, whereas an existing customer

1 will get all of that in setting their baseline?

2 MR. MICHAEL DUDAR: The new customer has
3 - has the price incentive, as Mr. Wiens talked about
4 before, to -- to bring in the most efficient plant so
5 they can maximize units of production per kilowatt hour
6 of energy consumed.

7 So they have the incentive built into the
8 additional price signal that they get from the second
9 tier rate.

10 MR. BOB PETERS: And the existing
11 Manitoba customer may not have that price signal because
12 they get all of their inefficiently used energy at a --
13 at a heritage rate?

14 MR. MICHAEL DUDAR: As -- as the existing
15 customer approaches their baseline, their CBEL, they --
16 they get that price signal as -- as well.

17 And if their growth plans exceed the
18 allowable growth allowance to implement their -- their
19 planned expansions, they may have to look for significant
20 energy efficiency improvements to move forward with their
21 expansion without hitting the upper rate.

22 MR. BOB PETERS: The price signal comes
23 only as the customer approaches the baseline?

24 MR. MICHAEL DUDAR: That's correct.

25 MR. BOB PETERS: If a customer estimated

1 to you, to Manitoba Hydro, Mr. Dudar, that they were
2 going to use 100 gigawatt hours a year but only used 50
3 in that year, what would be the baseline, if any, for
4 that customer?

5 MR. MICHAEL DUDAR: If that was expected
6 to be an ongoing operation, they -- they would -- they
7 would not receive a baseline.

8 MR. BOB PETERS: All right. They'd have
9 to wait and get it once they got closer or exceeded the
10 100?

11 MR. MICHAEL DUDAR: Once they've exceeded
12 100, correct.

13 MR. BOB PETERS: In terms of adjustments
14 to the baseline, the growth allowance has been mentioned
15 but that growth allowance is for both new and existing
16 customers, correct?

17 MR. MICHAEL DUDAR: That's correct.

18 MR. BOB PETERS: And there's no
19 distinction whether you're new or existing as to whether
20 or not you get a growth allowance?

21 MR. MICHAEL DUDAR: That's correct.

22 MR. BOB PETERS: With -- with the one (1)
23 caveat that if you are an existing customer up against
24 the cap, the growth allowance is meaningless to you?

25 MR. MICHAEL DUDAR: Up against the

1 fifteen hundred (1,500) cap?

2 MR. BOB PETERS: Yes, sir.

3 MR. MICHAEL DUDAR: That's correct.

4 MR. BOB PETERS: Is there another cap for
5 an existing customer other than fifteen hundred (1,500)?

6 MR. MICHAEL DUDAR: Just the 3 percent
7 and lesser than.

8 MR. BOB PETERS: You were referring to
9 the 3 percent annual growth allowance for five (5) years?

10 MR. MICHAEL DUDAR: That's correct.

11 MR. BOB PETERS: Was that a negotiated
12 amount between Manitoba Hydro and some of its largest
13 customers?

14 MR. MICHAEL DUDAR: We -- we had numerous
15 discussions on different levels of -- of growth allowance
16 that -- that were based on their current plans for -- for
17 expansion in -- in the near term.

18 MR. BOB PETERS: But in essence, the
19 growth allowance was designed to allow existing companies
20 to grow without having their growth be charged above
21 baseline rates?

22 MR. MICHAEL DUDAR: For some customers
23 they would have to have been very careful in how they
24 planned their -- their expansions. It -- some -- some
25 customers, based on their expansion plans, were -- were

1 running up into the -- the growth allowance limit earlier
2 than they anticipated.

3

4

(BRIEF PAUSE)

5

6 MR. BOB PETERS: But it's this growth of
7 the business that is going to drive the revenue -- it's
8 the growth of the load by existing customers that's going
9 to drive any revenue that comes from the energy-intensive
10 industry rate in the next five (5) years?

11 MR. MICHAEL DUDAR: That's correct.

12 MR. BOB PETERS: And so the growth
13 allowance of 3 percent a year for five (5) years or 15
14 percent, that was designed so that most but not all
15 energy-intensive industries would be able to grow without
16 paying a Tier 2 rate?

17 MR. MICHAEL DUDAR: That's correct.

18 MR. BOB PETERS: And then a judgment had
19 to be made for those customers who would be having to pay
20 the energy-intensive rate based on their growth as to
21 whether or not that was reasonable for them to have to do
22 that?

23 MR. MICHAEL DUDAR: That's correct.

24 MR. BOB PETERS: Manitoba Hydro could
25 have concluded that maybe it should be 4 percent a year

1 for five (5) years instead of 3 percent a year for five
2 (5) years?

3 MR. MICHAEL DUDAR: That's correct.

4 MR. BOB PETERS: But based on its
5 financial models, Manitoba Hydro wanted to recover
6 certainly a portion of the monies that it said would
7 otherwise be foregone on the export market through the
8 growth of existing industry?

9 MR. MICHAEL DUDAR: That's correct.

10 MR. BOB PETERS: Now, the 2 percent --
11 the 2 percent growth after the first five (5) years,
12 that's a maximum amount of 2 percent a year in
13 perpetuity, is it?

14 MR. MICHAEL DUDAR: That's correct, up to
15 the maximum of 1,500 gigawatt hours.

16 MR. BOB PETERS: All right, fair -- fair
17 clarification on that, but for most companies that means
18 2 percent a year in perpetuity?

19 MR. MICHAEL DUDAR: That's correct.

20 MR. BOB PETERS: And how was 2 percent a
21 year determined?

22 MR. MICHAEL DUDAR: The combination of
23 the 3 percent for the first five (5) years and -- and the
24 2 percent in -- in -- up to 2 percent, because not all
25 companies will grow by the -- by the 2 percent, was --

1 was looked to approach Manitoba Hydro's overall long-term
2 forecast.

3 MR. BOB PETERS: Remember those sheets
4 that Mr. Wiens couldn't -- couldn't read? They were at
5 tab 7 of the book of documents and you don't have to pull
6 them out if you have a good memory, but if you look in
7 the far right-hand column, the far right-hand had -- had
8 long-term growth forecasts in it.

9 Mr. Dudar, I'm looking on either copy of
10 Table 10; let's pick the '06/'07 year. The far right-
11 hand column has annual growth 1 percent for residential,
12 .9 for commercial, 1.6 for industrial, .9 for other, and
13 an overall 1.2 percent?

14 MR. MICHAEL DUDAR: Yes.

15 MR. BOB PETERS: Was the 2 percent growth
16 allowance given in perpetuity to many companies until
17 they hit the hard cap of 1,500 gigawatt hours a year?
18 Was it given in recognition that that's the long-term
19 growth projections of the Corporation?

20 MR. MICHAEL DUDAR: We -- we were looking
21 at the -- the mid-term, this is at twenty-five (25) --
22 twenty-five (25) or twenty (20) year period?

23 MR. BOB PETERS: Assume it's twenty (20)
24 years.

25 MR. MICHAEL DUDAR: Yeah. Yeah. We --

1 we based it on a ten (10) year estimate of the forecast.

2 MR. BOB PETERS: And what you were
3 essentially saying is that Manitoba Hydro is projecting
4 on average a 2 percent growth over the ten (10) years for
5 that industry, or those industry -- or those classes of
6 customers?

7 MR. MICHAEL DUDAR: Overall.

8 MR. BOB PETERS: Okay.

9 MR. MICHAEL DUDAR: Overall growth, yeah.

10 MR. BOB PETERS: Okay. So the overall
11 growth of the domestic load was going to increase by
12 about 2 percent a year on average for the next ten (10)
13 years?

14 MR. MICHAEL DUDAR: That's correct.

15 MR. BOB PETERS: And that growth, the
16 Corporation was prepared to allow happen at Heritage
17 rates, except for somebody who is either new to the
18 province or above the cap?

19 MR. MICHAEL DUDAR: That's correct.

20 MR. BOB PETERS: It might not be correct.
21 If you're new to the province you'd still get the
22 2 percent or -- or do you?

23 MR. MICHAEL DUDAR: Yes.

24 MR. BOB PETERS: Oh you -- you do?

25 MR. MICHAEL DUDAR: Yes, you do. You --

1 you get the 2 percent.

2 MR. BOB PETERS: Yes, 2 percent even if
3 you're new to the province?

4 MR. MICHAEL DUDAR: That's correct.

5 MR. BOB PETERS: And the -- the 2 percent
6 can be taken, recognizing it's your actual growth or
7 2 percent, whichever is the lower amount?

8 MR. MICHAEL DUDAR: That's correct.

9 MR. BOB PETERS: If a customer takes --
10 if a customer starts at a hundred and gets the 3 percent
11 for the first five (5) years, their -- their growth --
12 sorry, their -- their baseline's gone up 15 percent?
13 They're at 115 gigawatt hours a year? After --

14 MR. MICHAEL DUDAR: Plus a little bit, I
15 guess.

16 MR. BOB PETERS: It's compounded?

17 MR. MICHAEL DUDAR: It's compounded.

18 MR. BOB PETERS: Okay. I'm not good at
19 that. But approximately 115 gigawatt hours a year. And
20 then let's just suppose that in the sixth year they grow
21 2 percent. Does their baseline move up from my 115 to
22 117 or does it stay at 115 and wait for the cumulative
23 growth to catch up?

24 MR. MICHAEL DUDAR: The -- the baseline
25 in -- at the end of year six (6) would be adjusted to

1 117, for example. And -- and -- but that customer could
2 grow up to the 117 during that period -- during that
3 year. If, say, in December they reached 118, they would
4 pay 1 gigawatt hour at -- at the higher rate for -- for
5 the month of December.

6 MR. BOB PETERS: All right.

7 MR. MICHAEL DUDAR: Or -- yeah.

8 MR. BOB PETERS: No, I -- I appreciate
9 the clarification on that.

10 In -- in addition to that 2 percent, or
11 actually not in addition to, but instead of taking it in
12 small incremental 2 percent a year maximum growth
13 allowance after the first five (5) years, a customer can
14 elect to take it as a 10 percent one-time adjustment to
15 the baseline to be effectively worked off over the next
16 five (5) years by the customer?

17 MR. MICHAEL DUDAR: That's correct.

18 MR. BOB PETERS: Now, can that 10 percent
19 step in growth allowance be taken in the first five (5)
20 years?

21 MR. MICHAEL DUDAR: It can.

22 MR. BOB PETERS: But does that expose
23 them to the higher rate or do they still -- are they
24 still shielded from the higher rate by taking it in the
25 first five (5) years?

1 MR. MICHAEL DUDAR: It -- it would depend
2 on the customer and -- and what -- what they're actually
3 doing. So, for -- I -- I suspect that some customers may
4 opt to -- to take the 10 percent step in the first year.
5 Other customers may -- may choose to let their baselines
6 grow by 3 percent a year and take the 10 percent in
7 year six (6). But a lot would depend on what the
8 customer's load is
9 actually doing over that period of time. And -- and so
10 it probably won't shield the customer from all of the
11 second tier rate.

12 MR. BOB PETERS: Is the customer
13 disadvantaged by taking the 10 percent jump up or step up
14 in the first two (2) or three (3) years by -- do they
15 forego baseline increments later on?

16 MR. MICHAEL DUDAR: They don't forego
17 them but the -- the adjustments are -- are guaranteed in
18 the first five (5) years where you get 3 percent per year
19 regardless of what your load actually does. So they
20 would lose that -- that benefit. So they wouldn't
21 probably get it until the fourth year, where they would
22 have recovered the -- the amount that they advanced and
23 -- and got another 3 percent.

24 MR. BOB PETERS: All right. Moving to
25 the -- the next adjustment, I think we can complete this

1 today yet.

2 One (1) of the other adjustments, Mr.
3 Dudar, to the baseline is that you want to give existing
4 Manitoba customers credit for any demand side management
5 results that they have achieved since 1992.

6 MR. MICHAEL DUDAR: That's correct.

7 MR. BOB PETERS: And those demand side
8 management credits of energy savings would come in two
9 (2) forms: One would be Power Smart, where Manitoba
10 Hydro provided an incentive; and the other would be,
11 where the customer out of their own pocket decided it was
12 worth it and did the improvement.

13 MR. MICHAEL DUDAR: That's correct.

14 MR. BOB PETERS: But in both cases
15 whatever energy has been saved as a result of the effort
16 will be added on to the customer's baseline.

17 MR. MICHAEL DUDAR: Subject to
18 verification.

19 MR. BOB PETERS: Subject to verification,
20 those savings will be added on and allow the baseline to
21 grow.

22 MR. MICHAEL DUDAR: That's correct.

23 MR. BOB PETERS: And what is Manitoba
24 Hydro going to verify?

25 MR. MICHAEL DUDAR: For -- for customer

1 implemented efficiency improvements without Manitoba
2 Hydro's incentives, we would expect them to provide some
3 documentation on the facility prior to improvement, links
4 to production numbers and then some values of efficiency
5 consum -- or energy consumption after the implementation
6 just -- just to verify that -- that the change did occur.

7 MR. BOB PETERS: Does Manitoba Hydro
8 verify their Power Smart initiatives that customers take
9 up?

10 MR. MICHAEL DUDAR: It depends on the
11 type of program. For -- for many of the industrial
12 programs, the projects are -- are sufficiently large that
13 we do before and after verification measurements.

14 For some of the lighting retrofits, it
15 would be subject to approximations.

16 MR. BOB PETERS: Why, in principle, are
17 you giving credit for energy saved by adding it onto a
18 customer's baseline when they've already received a
19 benefit of -- of the savings?

20 MR. MICHAEL DUDAR: Manitoba did not --
21 did not want to -- we had been encouraging customers to
22 be active participants in our energy conservation
23 programs and we did not want to penalize early adopters
24 for implementing recommendations of Manitoba Hydro being
25 early to implement measures.

1 Had they -- had they not participated in
2 Manitoba Hydro's programs, they would have had a very
3 energy inefficient facility and -- and could have, at
4 this point in time, implemented a lot of energy
5 efficiency improvements to -- they would have had a high
6 baseline and could have implemented a lot of energy
7 efficient improvements to -- to increase their baseline.

8 MR. BOB PETERS: I appreciate that answer
9 but would you agree with me that while that may have been
10 the intention not to penalize people who, in good faith,
11 adopted DSM measures or Power Smart measures or both, in
12 fact, putting a hard cap will penalize at least one (1)
13 customer who may have done DSM measures?

14 MR. MICHAEL DUDAR: That's correct.

15 MR. BOB PETERS: And the best
16 determination I can make from the record, Mr. Dudar, is
17 that there was approximately 336 gigawatt hours a year of
18 credits being given.

19 Would you know that number to be correct?
20 I got it from PUB/Manitoba Hydro-7-C.

21 MR. MICHAEL DUDAR: Subject to check,
22 that's fair.

23 MR. BOB PETERS: And what you're also
24 telling the Board is you're giving credit for what you
25 did in the past for energy savings but as soon as this

1 Board approves an energy efficient rate, there will be no
2 future credits for any Demand Side Management programs
3 whether -- whether incentivized (phonetic) if that's a
4 word, by Manitoba Hydro or done entirely at the
5 customer's -- by the customer's chequebook.

6 MR. MICHAEL DUDAR: The -- the customers
7 would receive the -- the additional room below their
8 baseline to -- to expand and grow. That would be their -
9 - and -- and the lower energy costs.

10 MR. BOB PETERS: That's one way to look
11 at it. You're notionally -- they lower their consumption
12 so their baseline's still above them instead of Manitoba
13 Hydro raising the baseline from where they presently are.

14 MR. MICHAEL DUDAR: That's correct.

15 MR. BOB PETERS: Mr. Dudar, when you put
16 up Christmas lights, maybe that's what brings this
17 question to mind, if you give credit for DSM measures in
18 the past that are no longer being used by the customer,
19 you won't verify whether, in fact, they are using the
20 technology that they put in back in 1992, if it was under
21 a Power Smart program?

22 MR. MICHAEL DUDAR: It -- some -- some of
23 the -- the measures were -- were adopted on -- on a
24 system-wide basis and became integrated with the -- the
25 Company's process and -- and became part of -- of their -

1 - of how they do business and -- and the -- there was a
2 high probability that those measures are either the same
3 as they were when they were implemented or they've since
4 improved the -- the process, measures that -- like
5 energy-efficient motors that customers may have installed
6 in -- in the past.

7 As the market transformed for energy-
8 efficient motors, today that's become the industry
9 standard and -- and so the replacement of those products
10 would again be with energy-efficient products.

11 MR. BOB PETERS: I guess I was thinking
12 more of the 7 watt Christmas bulb changing to the 1 watt
13 and now to the LEDs that are being promoted. A
14 customer's going to get credit for putting in that energy
15 efficiency at the start, even if that's been supplanted
16 by something else in the interim?

17 MR. MICHAEL DUDAR: That's correct, and -
18 - and the -- the subsequent technologies may have been
19 even more energy efficient than what was currently
20 installed.

21 MR. BOB PETERS: There's no verification
22 process planned by Manitoba Hydro to go in and audit the
23 customers to see if those Power Smart initiatives are
24 still being used or if there is residual benefit to them?

25 MR. MICHAEL DUDAR: No.

1 MR. BOB PETERS: Does it amount to the
2 same thing by giving the customer credit for future Power
3 Smart programs as opposed to giving them credit by
4 raising the CBEL, the baseline, as opposed to letting
5 them lower their consumption?

6 MR. MICHAEL DUDAR: I believe it would be
7 the same.

8 MR. BOB PETERS: I won't hold you to that
9 and I'll let you think about that further. I'm just
10 wondering if there would be opportunity to double-count
11 the -- the savings.

12 But is it correct, Mr. Dudar, that by
13 affording the primary metal industry a DSM credit as
14 indicated in the supplemental answer to PUB/Manitoba
15 Hydro 7C of about 226 gigawatt hours a year, by giving
16 the primary metal industries that DSM credit, that's
17 going to essentially exceed their forecast growth for the
18 next ten (10) years?

19

20 (BRIEF PAUSE)

21

22 MR. MICHAEL DUDAR: That's correct. The
23 growth will occur within the baseline.

24 MR. BOB PETERS: And that's without
25 consideration of any growth allowance; it can be

1 essentially -- it'll occur within the -- by virtue of the
2 DSM credits?

3

4 (BRIEF PAUSE)

5

6 MR. MICHAEL DUDAR: I've been told
7 there's minimal effect even if they -- they didn't have
8 the growth allowance.

9 MR. BOB PETERS: All right, fair enough.
10 Just to conclude on this topic, and I thank the
11 indulgence of the Board, does the panel know whether, in
12 British Columbia, utility funding for DSM initiatives
13 stopped when the second tier rate was introduced?

14

15 (BRIEF PAUSE)

16

17 MR. MICHAEL DUDAR: I -- I think it did.

18 MR. BOB PETERS: And recognizing that --
19 that it did, let's assume that it did, has Manitoba Hydro
20 considered stopping the funding of DSM for GSL customers
21 if their energy efficient rate is approved?

22 MR. MICHAEL DUDAR: We -- we haven't
23 considered that because not all customers would be
24 subject to the higher -- higher energy rate.

25 MR. BOB PETERS: Well -- well, would you

1 consider -- would you -- would you discontinue the
2 incentives for customers who are paying the higher Tier 2
3 rate?

4 MR. MICHAEL DUDAR: We -- we could
5 consider it or we may consider reducing it. We probably
6 wouldn't pay as much as we currently are paying.

7 MR. BOB PETERS: Has that been discussed
8 with the customer base and quantified for them?

9 MR. MICHAEL DUDAR: No, it hasn't.

10 MR. BOB PETERS: And it's not part of the
11 rate proposal that's before the Board?

12 MR. MICHAEL DUDAR: No, it's not.

13 MR. BOB PETERS: Mr. Chairman, I want to
14 move to another adjustment on the baseline and would be
15 prepared to either continue now or tomorrow morning at
16 your pleasure.

17 THE CHAIRPERSON: Okay, we'll adjourn and
18 we'll return at nine o'clock tomorrow morning. Thank
19 you.

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21 (PANEL RETIRES)

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23 --- Upon adjourning at 4:08 p.m.

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2 Certified correct,

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8 Cheryl Lavigne, Ms.

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