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MANITOBA PUBLIC UTILITIES BOARD

Re: 2008/'09 GENERAL RATE APPLICATION
MANITOBA HYDRO

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
April 14th, 2008
Pages 2404 to 2646

APPEARANCES

1
2
3 Bob Peters) Board Counsel
4
5 Doug Buhr (np)) City of Winnipeg
6
7 Byron Williams) Coalition
8
9 Jennifer Scott (np)) TransCanada Keystone
10 Tamara Trull (np)) Pipeline
11
12 Tamara McCaffrey) MIPUG
13 John Landry)
14
15 Michael Anderson (np)) MKO
16
17 Patti Ramage) Manitoba Hydro
18 Odette Fernandes)
19
20 Bill Gange) RCM/TREE
21 Dan Rempel (np))
22 Peter Miller)
23
24
25

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1 --- Upon commencing at 9:03 a.m.

2

3 THE CHAIRPERSON: Okay, good morning
4 everyone. I note Mr. Landry is back with us which is
5 good, and I notice Mr. Gange has his witness, Mr.
6 Chernick, with us. Welcome, sir.

7 MR. BILL GANGE: Yes, that's correct, Mr.
8 Chair.

9 THE CHAIRPERSON: Very good. And, Ms.
10 Ramage, do you have any new exhibits for us?

11 MS. PATTI RAMAGE: I don't have any new
12 exhibits, but I would like to turn the mic over to Mr.
13 Warden this morning. Just -- he was going to put on the
14 record some information with respect to systems peak that
15 we had discussed last week, and he had undertake -- taken
16 to find out what our system peak has been over the last
17 few months.

18 THE CHAIRPERSON: Okay. And I'm hoping
19 that Manitoba Hydro's going to share with all the rest of
20 us the birthday cake presumably they brought in for...

21 Mr. Warden...?

22

23 MANITOBA HYDRO COST OF SERVICE AND RATE DESIGN PANEL

24 RESUMED:

25 KURT ROBIN WIENS, Resumed

1 CHIC THOMAS, Resumed

2 VINCE WARDEN, Resumed

3 HAROLD SURMINSKI, Resumed

4

5 MR. VINCE WARDEN: We'll have to double
6 our order.

7 MR. BYRON WILLIAMS: Or cut -- or only
8 take half.

9 MR. VINCE WARDEN: That's -- that's a --
10 a better idea.

11 Good morning, Mr. Chairman, members of the
12 Board, ladies and gentlemen.

13 I just -- to follow-up on the question
14 raised by Mr. Peters with respect to Manitoba Hydro's
15 system peak this past year, we did indeed establish a new
16 system peak on January the 31st of 2008 for our fiscal
17 year '07/'08. That peak was 4,274 megawatts and that
18 compares to 4,173 megawatts. So about a 100 megawatt
19 increase over the previous year.

20 That is the Manitoba system peak. The
21 total peak on that same day, that is including export
22 sales that were taking place at that same time was -- was
23 4,525 megawatts.

24 Just for comparison the all -- the -- the
25 peak that it was established in the summer so that again

1 if the winter peak, Manitoba, four two seven four (4274)
2 the summer peak three two seven nine (3279), so we still
3 have a significant difference between the summer and
4 winter peak at Manitoba Hydro. Thank you.

5 THE CHAIRPERSON: Thank you, sir.

6 Mr. Williams...?

7

8 CONTINUED CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

9 MR. BYRON WILLIAMS: Yes, thank you and
10 good morning Mr. Chairman and members of the Board. A
11 bit later this morning I'll have a -- a couple more
12 exhibits; one (1) is still in the process of being typed.
13 But I -- I think I'll start out back approximately where
14 we left off just -- Mr. Wiens I believe we were glancing
15 at Coalition Exhibit Number 26.

16 MR. ROBIN WIENS: Sure, let's start
17 there.

18 MR. BYRON WILLIAMS: And we won't stay
19 there long. I just wanted to -- the far right hand
20 column, that's the table, Mr. Wiens, is it not, looking
21 at customer class ratios to marginal costs to normal --
22 normalized marginal costs, correct?

23 MR. ROBIN WIENS: Yes.

24 MR. BYRON WILLIAMS: Okay. So just back
25 to where we finished off the -- the extreme right-hand

1 side of that -- that table shows normalized marginal
2 costs revenue coverages for the various classes.

3 Is that right, sir?

4 MR. ROBIN WIENS: Yes.

5 MR. BYRON WILLIAMS: And just to take two
6 (2) examples, we have residential at one point one (1.1)
7 and GSL greater than a 100 kV at zero point eight one
8 five (0.815).

9 Is that right, sir?

10 MR. ROBIN WIENS: Yes.

11 MR. BYRON WILLIAMS: And the -- the theme
12 or I guess the message one might draw from this is in the
13 rebuttal evidence of Manitoba Hydro you spoke about
14 differential signals that might come from an embedded
15 cost study, versus a study such as -- as this.

16 Is this right, sir? Or a look at the
17 number such as this?

18 MR. ROBIN WIENS: Well, it certainly
19 would be true that if you have differential price signals
20 -- but I believe in the rebuttal evidence that what we
21 were talking about was a differential allocation of
22 revenues to domestic customer classes.

23 MR. BYRON WILLIAMS: Yes. And thank you
24 for that precision and -- and the simple point is if one
25 were relying upon the, for example, the column on the

1 extreme right of this table, the message in terms of the
2 revenue requirement from the different classes would be
3 materially different than if you were relying upon the
4 current approved embedded cost study.

5 Is that right, sir.

6 MR. ROBIN WIENS: It would be.

7 MR. BYRON WILLIAMS: I just want to talk
8 -- and, Mr. Wiens, I have to apologize, I usually -- I
9 like to talk to you with an excerpt or two (2) from
10 Bonbright. I don't have any of those today. But I just
11 want to chat with you very briefly about -- in the
12 context of rate setting, concepts of fairness and
13 efficiency.

14 And you'll agree with me that those are
15 both important principles when we look at setting rates?

16 MR. ROBIN WIENS: Yes.

17 MR. BYRON WILLIAMS: And can we agree
18 that when we look at fairness, that generally deals with
19 the principles that customers should be paying a fair
20 share of the overall costs?

21 Would that be fair, sir?

22 MR. ROBIN WIENS: Well, more precisely it
23 probably would be fair to say that equal customers should
24 be treated equally, in terms of assignment of cost, and
25 unequals, unequally.

1 MR. BYRON WILLIAMS: To put that in
2 another way and as you perhaps more elegantly stated than
3 I have, fairness means that customers should pay for the
4 cost imposed on the system?

5 MR. ROBIN WIENS: Yes.

6 MR. BYRON WILLIAMS: In terms of
7 efficiency, can we agree that it generally deals with the
8 principles that rates should provide a signal to
9 customers regarding the cost consequences of their
10 consumption choices?

11 MR. ROBIN WIENS: Yes.

12 MR. BYRON WILLIAMS: And in a -- this is
13 also linked to costs in a way, as it requires that
14 customers base their decisions on the cost that their
15 consumption decisions impose on the system.

16 Would that be fair, sir?

17 MR. ROBIN WIENS: Yes.

18 MR. BYRON WILLIAMS: And using marginal
19 costs or normalized marginal costs in rate design is one
20 (1) way of achieving this?

21 MR. ROBIN WIENS: Well, historically in
22 most places using embedded costs has been the way that
23 jurisdictions have chosen to define fairness. There are
24 some jurisdictions in North America that have used
25 concepts such as we discussed last week, equal proportion

1 of marginal cost.

2 And I think there is a case to be made
3 that you need to consider marginal cost; at least you
4 need to give it some weight when you've got the type of
5 divergence between embedded and marginal costs that we're
6 seeing in this jurisdiction today.

7 MR. BYRON WILLIAMS: Thank you for that,
8 Mr. Wiens and you're jumping to where I -- I'm trying to
9 go and I appreciate that. You mention that traditionally
10 imbedded costs have been used as a measure of fairness.

11 Would you agree with me that the resulting
12 revenue cost ratios flowing from an embedded cost study
13 can be viewed as a measure of whether or not individual
14 customer classes are paying their fair share of the costs
15 incurred in the past that were -- that are being used to
16 service today's customer.

17 Would you agree with that description?

18 MR. ROBIN WIENS: That -- that would be
19 correct, yes.

20 MR. BYRON WILLIAMS: And perhaps more
21 simply, an imbedded costs study can be viewed as a --
22 looking backwards of where we've come from and what --
23 what's a fairer portion of the costs for the facilities
24 that were built in the past.

25 Would that be fair? That are being used

1 for service today.

2 MR. ROBIN WIENS: Yes.

3 MR. BYRON WILLIAMS: And would it also be
4 fair, turning to marginal costs, that a marginal cost-
5 based cost allocation method -- methodology, and I think
6 we've agreed on this, looks at the cost the customer's
7 current consumption decisions will lead to in the future.

8 Would that be fair?

9 MR. ROBIN WIENS: Yes, ideally that's
10 what you're trying to depict.

11 MR. BYRON WILLIAMS: Would you agree that
12 this methodology can also be viewed as offering a
13 perspective on fairness but a looking forward
14 perspective?

15

16 (BRIEF PAUSE)

17

18 MR. ROBIN WIENS: Yes, it does that.
19 Arguably one could look at all consumption and say that
20 any kilowatt hour -- no, while you do -- we do tend to
21 look at the -- the legacy of the past -- it is also true
22 that one can look at any kilowatt hour and say that it is
23 a marginal kilowatt hour as well.

24

25 (BRIEF PAUSE)

1 MR. BYRON WILLIAMS: Would I be correct
2 in suggesting to you that, in terms of rate design, the
3 Corporation's perspective is that while the unit cost
4 allocation and the cost of service studies are important,
5 they should only be used as a guide in rate setting and
6 that the final rate design also has to take into account
7 the necessity of adequate price singles and of course
8 meeting the revenue requirement?

9 Would you agree with that, sir?

10 MR. ROBIN WIENS: You have to balance
11 those considerations, yes.

12 MR. BYRON WILLIAMS: And just going again
13 maybe to the example of GSL, large, greater than 100 kV,
14 the tension in terms of rate design is that you may be
15 getting different directional signal from imbedded costs
16 and marginal cost studies or results.

17 Would that be fair, sir?

18 MR. ROBIN WIENS: Yes.

19 MR. BYRON WILLIAMS: And just, Mr. Wiens,
20 I want to turn to the -- to the current cost of service
21 study, but would it be fair to say that when the
22 Corporation was engaged in the -- it brought -- well let
23 me back up -- it brought a recommended cost of service
24 study to the Public Utilities Board a couple years ago
25 for the Board's consideration.

1 Is that right sir?

2 MR. ROBIN WIENS: That's correct.

3 MR. BYRON WILLIAMS: And part of the
4 Corporation's -- thank you. Just one second, sir.

5 Part of the Corporations motivation in
6 bringing that recommended study to the Public Utilities
7 board was your concern that export revenues received by
8 the Corporation has distorted the price signals and costs
9 attributable to domestic customers.

10 Is that right sir?

11 MR. ROBIN WIENS: Yes, we did have that
12 concern.

13 MR. BYRON WILLIAMS: Would it be fair to
14 say that in terms of how the Corporation interprets and
15 has applied the current Board approved cost of service
16 methodology, it continues to have that concern and -- and
17 is concerned that its original recommendations from a
18 couple of years ago, have been muted as generation and
19 transmission costs are still being off -- offset by the -
20 - an export revenue credit that benefits the largest
21 customers on the -- on the system, to the detriment of
22 other classes?

23 MR. ROBIN WIENS: Could -- could you
24 repeat that last part, please?

25 MR. BYRON WILLIAMS: I don't think I

1 could repeat it exactly, Mr. Wiens, but I'll -- let me --
2 let me put it in a -- a tighter way.

3 You were concerned a couple years ago,
4 about the distorting effects of export prices on -- on
5 the cost of service results.

6 Is that right, sir?

7 MR. ROBIN WIENS: That's correct.

8 MR. BYRON WILLIAMS: And to a certain
9 extent, that concern remains today, with regard to the
10 current approved cost of service study from the Board.

11 MR. ROBIN WIENS: It does.

12 MR. BYRON WILLIAMS: Perhaps you can turn
13 to Coalition Exhibit 27, and that's just a reproduction
14 of an Interrogatory request, Coalition/Manitoba Hydro
15 First Round Number 59.

16 Do you have that, Mr. Wiens?

17 MR. ROBIN WIENS: Yes.

18 MR. BYRON WILLIAMS: And, you'll see that
19 in this Information Request, the Coalition was asking
20 Manitoba Hydro for its re -- views on what would be an --
21 an appropriate allocation of costs against export sales.

22 Is that right, sir?

23 MR. ROBIN WIENS: It is.

24 MR. BYRON WILLIAMS: And you're asked to
25 -- to document each change from the methodology that's

1 currently presented in the -- how you interrupt the PCOSS
2 '08.

3 Is that right, sir?

4 MR. ROBIN WIENS: Yes.

5 MR. BYRON WILLIAMS: And would I be right
6 in suggesting to you that if in a perfect world, the --
7 the Corporation would prefer two (2) material changes
8 from PCOSS '08: one (1) being the use of two export
9 classes and the other, no direct assignment of DSM costs
10 to exports?

11 Would that be fair, sir?

12 MR. ROBIN WIENS: Yes, that would be
13 fair.

14 MR. BYRON WILLIAMS: And if you'll just
15 turn to the page 204, of this -- of this document, Mr.
16 Wiens, you'll agree with me that what's presented in this
17 table is -- are the results of the -- the recommended
18 amendments to the cost of service methodology, Manitoba
19 Hydro's recommended amendments.

20 Would that be fair, sir? Or preferred?

21 MR. ROBIN WIENS: Yes, this is what we
22 filed in response to that question which -- asked us what
23 we believed to be the appropriate allocation of costs
24 against export sales.

25 MR. BYRON WILLIAMS: And on the extreme

1 right-hand side of this -- this table, you'll -- the
2 results of this, you would have residential at about 99
3 percent, and a GSL large, greater than 100 kV at about
4 103 percent, in terms of its RCC.

5 Is that right, sir?

6 MR. ROBIN WIENS: That's correct.

7 MR. BYRON WILLIAMS: I won't belabour
8 this point, but in terms of better price signals, just at
9 a very high level, sir, how does this recommended version
10 better address the issue of price signals?

11 MR. ROBIN WIENS: The concern, and it
12 goes back a number of years -- we indicated this concern
13 in filings going back to probably as far as 2002,
14 certainly in 2004, and then finally, when we had the Cost
15 of Service Review in 2006, that given our legacy system,
16 that we are system that has embedded costs which are
17 below marginal costs. The fact that we are able to
18 export such a large portion of our generated energy and
19 receive close to marginal costs from -- from Manitoba
20 Hydro and for Manitobans generally, is a good thing.

21 But what that has done in terms of Cost of
22 Service, it is -- is that it has caused the divergence
23 between marginal costs and embedded costs to be greater.
24 And it's caused the divergence to be greater in the case
25 of classes that -- whose costs -- whose allocated costs

1 are largely in the generation and transmission area.

2 With respect to price signals, you can
3 live with it. You can live with divergence, and -- and
4 you can design rates that will allow you to collect only
5 your embedded revenue requirement, and at the same time,
6 to provide as good a job of -- of setting a price signal
7 as possible by using the later blocks or the more elastic
8 portions of the rate structure.

9 That's -- this job becomes more and more
10 difficult the greater the divergence between embedded
11 costs and marginal costs and particularly if that
12 divergence differs on a class-by-class basis.

13 What we are trying to do in this
14 particular response, and in what we recommended
15 previously, is not on its own going to deal with the
16 issue of price signals. But is -- was intended at that
17 time, and this response is intended here, to reduce that
18 gap and to make it more manageable and to correct for the
19 differential among the classes in terms of the divergence
20 between marginal and embedded costs.

21 MR. BYRON WILLIAMS: Thank you. Just one
22 (1) cleanup question -- or one (1) area of cleanup
23 questions in terms of the Board recommendations in terms
24 of the -- the Cost of Service Study, and Mr. Wiens, I
25 don't think you need to turn here, but my reference that

1 I'm -- I'm -- is from Board Order 117/'06, page 57. And,
2 I'm going to read it to you and you can accept what --

3 MR. ROBIN WIENS: Well, no proceed.

4 MR. BYRON WILLIAMS: We're just waiting -
5 - I'm just waiting for you to get it beside you, Mr.
6 Wiens.

7 Noting this -- and I'm going to read to
8 you, and I'm going to ask you to -- to confirm that I've
9 read it correctly:

10 "Noting the significance of the COSS,
11 the Board prefers that the model be
12 based on medium water flows, export
13 revenues consistent with average
14 reservoir levels for the start of the
15 fiscal year forecast and unit export
16 prices reflective of, in quotation
17 marks, 'normal conditions'."

18 And I guess my question, first of all, did
19 I read that correctly, Mr. Wiens, or generally correctly?

20 MR. ROBIN WIENS: You read it correctly.

21 MR. BYRON WILLIAMS: Where are we in
22 terms of that? Am I correct in suggesting to you that
23 the -- this could go to Mr. Thomas as well -- that the
24 COSS -- COSS -- is based on medium -- median -- M-E-D-I-N
25 water flows.

1 Is that right, sir?

2 MR. CHIC THOMAS: Yes.

3 MR. BYRON WILLIAMS: And is it also based
4 on exports consistent with -- export revenues consistent
5 with average reservoir levels for the start of the fiscal
6 year?

7 MR. CHIC THOMAS: Yes.

8 MR. BYRON WILLIAMS: And what about in
9 terms of unit export prices reflective of normal
10 conditions? Now -- now is that the discussion Mr. Surm
11 -- Mr. Surmin -- Mr. Surminski had with Mr. Peters the
12 other day?

13 MR. CHIC THOMAS: You're asking about
14 unit costs?

15 MR. BYRON WILLIAMS: Yeah.

16 MR. CHIC THOMAS: Yeah, I think I -- we
17 did an under -- or I was talking to Mr. Peters about that
18 in terms of what goes into the cost of service studies
19 and unit costs per se, but the bulk number. However,
20 they are consistent with what the -- the normal
21 conditions at the start of the year.

22 MR. BYRON WILLIAMS: Okay, Mr. Harper
23 just asked me to follow-up on that. Okay, thank you for
24 that.

25 Just a -- a couple of short snappers in

1 terms of export -- or excuse me -- import prices. In its
2 original application, the Corporation forecast the
3 average cost of imports for '07/'08 at four point nine
4 (4.9) cents per kilowatt hour.

5 How does that reconcile with the actual
6 results?

7 MR. CHIC THOMAS: Just for reference, Mr.
8 Williams, is the -- the unit cost is that -- are you
9 deriving that from the Cost of Service or other material?

10 MR. BYRON WILLIAMS: No, what -- excuse
11 I've -- I've kind of changed subjects a little bit, Mr. -
12 - Mr. Thomas. What I'm looking at is from the -- the
13 Corporation's original application. It had a forecast
14 average cost of imports for '07/'08 of four point nine
15 (4.9) per kilowatt hour.

16 I'm asking what the actual results for
17 '07/'08 were.

18 MR. HAROLD SURMINSKI: Mr. Williams, the
19 year has just ended, and we would have to -- to actually
20 calculate that number.

21 MR. BYRON WILLIAMS: Is that an onerous
22 task?

23 MR. HAROLD SURMINSKI: It should not be,
24 no.

25 MR. BYRON WILLIAMS: Are you in the -- in

1 that ballpark?

2 MR. HAROLD SURMINSKI: I would think it's
3 close to the forecast, yes.

4 MR. BYRON WILLIAMS: But you'd undertake
5 to -- to provide the actual results?

6 MR. HAROLD SURMINSKI: If you request
7 that, yes.

8 MR. BYRON WILLIAMS: Yes.

9

10 --- UNDERTAKING NO. 82: Manitoba Hydro to provide
11 Coalition the actual results
12 for '07/'08

13

14 CONTINUED BY MR. BYRON WILLIAMS:

15 MR. BYRON WILLIAMS: And could you remind
16 me, and this may be my own oversight? Are the actual
17 average cost of imports for the years 2004/'05 through
18 2006/'07, are they on the record somewhere, and I've just
19 overlooked them, sir?

20 MR. HAROLD SURMINSKI: Yes, they are on
21 the record. I was just looking at them this morning, but
22 I don't have the reference readily available.

23 MR. BYRON WILLIAMS: Well, perhaps you
24 could provide that to me offline. I don't need to --
25 I'll get that from you at the break.

1 MR. HAROLD SURMINSKI: Yes, I'll provide
2 that.

3 MR. BYRON WILLIAMS: Mr. Wiens, perhaps
4 you could pull up Coalition Exhibit Number 28, please?

5 Do you have that, sir?

6 MR. ROBIN WIENS: I do.

7 MR. BYRON WILLIAMS: And what I'm going
8 to suggest to you, Mr. -- Mr. Wiens, is we provided you
9 with -- we've extracted information from certain
10 locations on the record, and I'll ask Manitoba Hydro to
11 accept this that we've portrayed it accurately, subject
12 to check.

13 Would you do that, sir?

14 MR. ROBIN WIENS: I believe it is, yes.

15 MR. BYRON WILLIAMS: Okay. And if
16 there's -- if you identify any errors, you'll bring them
17 to the attention of the Board, Mr. Wiens?

18 MR. ROBIN WIENS: We will.

19 MR. BYRON WILLIAMS: And just -- you'll --
20 -- you'll agree with me that the table portra -- presents
21 six (6) different columns. And essentially it presents
22 the revenue cost coverages from a variety of
23 perspectives.

24 Is that right, sir?

25 MR. ROBIN WIENS: Yes.

1 MR. BYRON WILLIAMS: The second column
2 simply presents the RCCs for the customer classes
3 assuming no exports.

4 Is that right, sir?

5 MR. ROBIN WIENS: Yes.

6 MR. BYRON WILLIAMS: The third column
7 presents the -- the Board-approved methodology as
8 interpreted by Manitoba Hydro?

9 MR. ROBIN WIENS: Yes.

10 MR. BYRON WILLIAMS: And the third col --
11 excuse, the 4th column, titled "Coalition 1-59" really
12 presents the information that you and I had just
13 discussed, the Manitoba Hydro's preferred approach.

14 Would that be fair, sir?

15 MR. ROBIN WIENS: Yes.

16 MR. BYRON WILLIAMS: And the -- the 5th
17 column presents the -- the marginal cost information
18 extracted from Manitoba Hydro Exhibit Number 68, sir?

19 MR. ROBIN WIENS: Yeah, the ratio of
20 class revenue to marginal cost.

21 MR. BYRON WILLIAMS: Yes, thank you for
22 that clarification. And finally the -- the -- final
23 column really present -- just presents the final column
24 from Coalition Exhibit Number 26, the Normalized Marginal
25 Cost Revenue Coverages.

1 Is that right, sir?

2 MR. ROBIN WIENS: Yes, the -- if point
3 five five eight (.558) equals 100 percent, then point
4 six one four (.614) equals one point -- 110 percent.

5 MR. BYRON WILLIAMS: And at the risk of
6 belabouring a point to -- beyond exhaustion, I'll just go
7 to, Mr. Wiens, and again I'll suggest to you that if we -
8 - we look to the customer class, general service large,
9 greater than 100 kV, we -- we see the contrast in -- in -
10 - let's start with -- you'll agree with me that under the
11 Board-approved methodology, it's above the -- the 95 to
12 105 percent zone of reasonableness being one hundred and
13 eight point seven (108.7).

14 Is that right, sir?

15 MR. ROBIN WIENS: Yes.

16 MR. BYRON WILLIAMS: And you'll also
17 agree with me that if we take the normalized marginal
18 cost perspective, it is considerably below the zone of
19 reasonableness being at 0.815 percent.

20 Is that right, sir?

21 MR. ROBIN WIENS: Yes.

22 MR. BYRON WILLIAMS: And again, this just
23 highlights the different messages sent by these looking
24 backwards on an embedded cost methodology, versus looking
25 forward on a -- on a marginal cost methodology, sir?

1 MR. ROBIN WIENS: Yes.

2 MR. BYRON WILLIAMS: I'd ask you, Mr.
3 Wiens, to turn to Exhibit COALITION-29. And that's just
4 a reproduction of PUB Interrogatory 1-83, sir.

5 Is that correct?

6 MR. ROBIN WIENS: Yes.

7 MR. BYRON WILLIAMS: And essentially what
8 the -- this response highlights, Mr. Wiens, is at a high
9 level the impact on domestic load if the Corporation --
10 or the Corporation's best estimate of the impact on
11 domestic load, if marginal costing was brought into place
12 for -- for a number of the different customer classes.

13 Is that right, sir?

14 MR. ROBIN WIENS: Yes.

15 MR. BYRON WILLIAMS: And the numbers
16 portrayed here are not a -- are reflective of the
17 Corporation's best estimate of the long term load
18 reduction, not the short term.

19 Is that right, sir? I'm just going from
20 your language in the -- the second line of the -- of the
21 response.

22 MR. ROBIN WIENS: I think that's right,
23 Mr. Williams. I -- I probably have to go back and check
24 the original source of the elasticity numbers, but I
25 think that's right.

1 MR. BYRON WILLIAMS: I'm actually going
2 to do a little bit of that with, Mr. Wiens, not much
3 though. But would -- just in terms of the -- the general
4 results at high lev -- at a high level, in terms of long
5 term load reduction would I be correct in suggesting to
6 you that the smallest long term load reduction would be
7 residential, and the largest being 7 percent, first of
8 all, of the four (4) presented here, sir?

9 MR. ROBIN WIENS: Yeah, that -- that
10 simply follows with respect to the two (2) factors, the
11 gap between the current rate and the marginal costs being
12 one (1) and the assumed elasticity of the different
13 groups being the other.

14 MR. BYRON WILLIAMS: You've jumped to my
15 final point on -- on this one. And again the -- the
16 highest in terms of long term load reduction would be GSL
17 large greater than 30 kV.

18 Is that right?

19 MR. ROBIN WIENS: Yes.

20 MR. BYRON WILLIAMS: And -- and the point
21 you were making to me on your previous response, sir, is
22 that if we're seeking an explanation for the relatively
23 smaller load reduction for -- for residential, we can
24 draw that from two (2) factors, one (1) being the -- the
25 elasticity assumed, and the other being the relative gap

1 between current prices and marginal prices.

2 Is that right, sir?

3 MR. ROBIN WIENS: Yes.

4 MR. BYRON WILLIAMS: And just to expand
5 on that point for a second, in terms of current rates,
6 you'll agree with me that residential at six (6) cents
7 per kilowatt hour, versus its estimated marginal costs of
8 seven point six (7.6) cents per kilowatt hour is closer
9 to marginal rates than GSL large greater than 30 kV,
10 which is at three point two (3.2) cents a kilowatt hour
11 with estimated marginal costs at six point eight (6.8)
12 cents a kilowatt hour.

13 Is that right, sir?

14 MR. ROBIN WIENS: Yes.

15 MR. BYRON WILLIAMS: And again on the
16 second page of this response, again you see that the
17 elasticity assumed for residential at minus point zero
18 five six (.056) suggests that it is less price elastic
19 than GSL large at minus point one two five (.125).

20 Is that right, sir?

21 MR. ROBIN WIENS: Yes, qualified by the
22 understanding that this is trying to take a fairly
23 complex and diverse set of elasticities and boil them
24 down to a single one (1) depicting them.

25 MR. BYRON WILLIAMS: And, Mr. Wiens --

1 and you may have to just check this, in terms of the
2 elasticities assumed were they drawn from the NERA
3 Report? They look quite similar.

4 MR. ROBIN WIENS: They were.

5 MR. BYRON WILLIAMS: And they were drawn,
6 I'll ask you to accept subject to check, from the winter
7 shoulder.

8 Would that be -- would that be fair, sir?

9 MR. ROBIN WIENS: I -- I would have to
10 check that, so yeah, I will accept it subject to check.

11 MR. BYRON WILLIAMS: And could you -- and
12 I'm just curious is there a reason one would draw from
13 the winter shoulder rather than the winter peak or from -
14 - from other -- other sources, Mr. Wiens?

15 MR. ROBIN WIENS: Most likely because it's
16 in the midrange of the elasticities that are depicted.

17 MR. BYRON WILLIAMS: Fair enough. Now in
18 terms of the actual calculations for -- based upon the
19 assumptions in terms of elasticity and in terms of price
20 and marginal costs -- we had a little trouble. We were
21 trying to replicate the numbers for residential Mr. Wiens
22 and we weren't quite sure of the -- Manitoba Hydro's
23 methodology.

24 Would it be hard by way of undertaking to
25 provide an explanation and a derivation of that

1 calculation?

2 MR. ROBIN WIENS: Can we just go over
3 that again, Mr. Williams?

4 MR. BYRON WILLIAMS: Just in terms of how
5 the actual 7 percent load reduction was achieved at for
6 residential , Mr. Wiens, would it be possible for
7 Manitoba Hydro to undertake to provide an explanation of
8 how it was calculated?

9 MR. BYRON WILLIAMS: Okay, you have all
10 of the inputs in this response so you would like us to
11 show you the equations?

12 MR. BYRON WILLIAMS: Yes, if you would.

13 MR. ROBIN WIENS: Sure.

14

15 --- UNDERTAKING NO. 83: Manitoba Hydro to provide
16 Coalition an explanation of
17 how the actual 7 percent load
18 reduction for residential was
19 calculated

20

21 CONTINUED BY MR. BYRON WILLIAMS:

22 MR. BYRON WILLIAMS: Mr. Wiens, just
23 jumping ahead to Coalition Number 31, that's an excerpt
24 from a study put on the record by Mr. Chernick, I
25 believe; it's regional differences in the price

1 elasticity of demand for energy.

2 Do you see that, Mr. Wiens?

3 And Mr. Wiens, I -- I know that you've
4 been -- in the past few years been presented by NERA with
5 the whole pile of elasticity studies, so I'm not asking -
6 - you know, I know that it's impossible to be conversant
7 with all of them.

8 But I wonder if I could get you -- if you
9 would agree with me that referring you to page 10 of this
10 study --

11 MR. ROBIN WIENS: Roman X.

12 MR. ROBIN WIENS: Yes, Roman Numeral X,
13 Mr. Wiens.

14 MR. ROBIN WIENS: That's Roman X?

15 MR. BYRON WILLIAMS: Yes, and I apologize
16 for that. Just looking under the heading, "Are There
17 Regional Differences," would you agree that the purported
18 objective of this study was to determine whether the
19 relationship between prices and demands differs at the
20 regional state or substate level?

21 Did you see that, sir?

22 MR. ROBIN WIENS: That's what it states.
23 I haven't read the entire study.

24 MR. BYRON WILLIAMS: There's one (1)
25 reference that I want to draw your attention to Mr. Wiens

1 and I'll turn you to non-Roman numeral page 7, plain old
2 page number 7.

3 MR. ROBIN WIENS: Arabic numeral.

4 MR. BYRON WILLIAMS: Every time we have a
5 discussion, Mr. Wiens, I learn something and I thank you
6 for that.

7 I want to direct your attention to the
8 middle paragraph on this page and I'm just going to read
9 some of it in to you and you can confirm I've read it
10 correctly, and then you can tell me -- and I'll -- I'm
11 going to ask for your comment upon it.

12 The paragraph starts:

13 "The proceeding discussion provides
14 reasons why the price elasticity of the
15 demand may vary and it suggests the
16 direction that price elasticities could
17 change. In areas where the cost of
18 substitutes are competitive price
19 elasticities may increase in absolute
20 magnitude [in brackets] (becoming --
21 become more elastic) because consumers
22 could easily switch to substitutes as
23 prices increase [period].

24 Locations where particular energy
25 uses are very valuable [comma], such as

1 air conditioning in southern states or
2 winter heating in northern states
3 [comma], could have price elasticity
4 smaller in absolute -- absolute
5 magnitude [in brackets] (more in
6 elastic) because air conditioning and
7 heating are so valuable during periods
8 of extreme climate that consumers are
9 unwilling to change their use when
10 prices change."

11 Mr. Wiens, I -- I know it wasn't poetic,
12 but did I get the thrust of that statement, sir?

13 MR. ROBIN WIENS: You did.

14 MR. BYRON WILLIAMS: I just wanted -- in
15 terms of the -- and again recognizing you're not familiar
16 with the study as -- as a whole, but you'll see that
17 there's a suggestion made that where particular energy
18 uses are very valuable such as winter heating in northern
19 states, elasticities may be more inelastic in absolute
20 magnitude.

21 And intuitively or empirically, Mr. Wiens,
22 do you have any thoughts on the -- the merits of that
23 statement, any opinions?

24 MR. ROBIN WIENS: Well I think it
25 generally accords with the conventional theory, Mr.

1 Williams. Of course, both of these factors could be in
2 play. Both of the factors that you've cited in this
3 paragraph could be in play that that particular use is
4 valuable, but there are also substitutes.

5 Both could exist. But generally speaking,
6 yes, if the use is valuable and there is no easy
7 substitute, then you're going to have -- you're going to
8 have a tendency that it's going to be a less elastic.

9 Similarly if there is a close substitute
10 then you're going to have -- it's -- it's likely to be
11 more elastic, and if it takes time to move from one
12 source to another then it's likely to be elastic over
13 time than it is -- than it is over a short period of
14 time.

15 MR. BYRON WILLIAMS: Okay. And I thank
16 you for that, Mr. Wiens. And just -- I -- I guess where
17 it goes, to a certain degree, is where we look at all-
18 electric consumption in rural areas with -- with no close
19 substitutes.

20 There's implications in terms of going --
21 in terms of going to inverted rates for those who are
22 using all-electric heating for example, sir?

23 MR. ROBIN WIENS: Yes. And I think we've
24 discussed them a couple of times during this proceeding.

25 MR. BYRON WILLIAMS: Yeah, in a small

1 part, Mr. Wiens, so I appreciate that. Probably to Mr.
2 Thomas, I -- I'm jumping a little bit to inverted rates.

3 Mr. Thomas, I understand with -- the
4 Corporation's general intention with the -- the price in
5 the proposed second block is to move towards marginal
6 costs.

7 Is that a fair statement, sir?

8 MR. CHIC THOMAS: Yes.

9 MR. BYRON WILLIAMS: And in terms of --
10 what I'm trying to get at for my clients, Mr. Thomas, is
11 some insight into the analytic process or the factors
12 that the -- the Corporation will take into account and --
13 and the pace and the magnitude of the change in terms of
14 the inverted rate structure.

15 And I wonder if you, you know, let's --
16 let's say, you know, looking into the future, it's a year
17 or two (2) from now, what are the factors at a high level
18 that the Corporation will be considering in -- in looking
19 at how -- how much higher that second block should be in
20 terms of its move towards marginal cost?

21 Can you give me some insight into that,
22 sir? It's fine if it's Mr. Wiens.

23 MR. ROBIN WIENS: Well again, Mr.
24 Williams, there's a number of factors that we try to
25 balance when we're looking at any rate change. We're

1 balancing the factors of -- in this case, of getting an
2 efficient price signal out there along with our desire to
3 have the impacts on our customers mitigated somewhat.

4 We try to balance those two (2)
5 considerations, and all I can say, at this point, is that
6 the intent is to move toward marginal cost, and it's
7 probably not going to happen in two (2) or three (3) rate
8 changes. It's probably going to take more than that.

9 MR. BYRON WILLIAMS: Thank you, Mr.
10 Wiens. And let me just start in terms of efficient price
11 signals and the language of marginal costs.

12 From a residential consumer perspective,
13 would we be looking at -- at the -- are we looking at
14 short -- thank you, Mr. Wiens.

15 In terms of efficient price signals and
16 marginal costs, are we looking at -- in terms of the
17 ultimate target, are we looking at the short run or -- or
18 long run marginal cost?

19 Can you give me some insight into that?

20 And, Mr. Wiens, if you're struggling with
21 the answer, in terms of residential customers, my
22 understanding is that the forecast marginal cost for
23 '08/'09 are seven point one seven (7.17), while if you
24 look at it over a -- you know, levelized over 20 years at
25 seven point six (7.6).

1 What number are you -- do you have in
2 mind, sir?

3 MR. ROBIN WIENS: Well, we don't have a
4 particular number in mind, other than that we would move
5 gradually in that direction. With -- with regard whether
6 it's short-term or long-term, I think we -- we know that
7 over time, the short-term is moving up, and that's why we
8 define the long-term as being the -- the levelized value
9 of a number of years of short-term.

10 So, we feel that if we're moving toward
11 that, then we're -- we're accomplishing what we set out
12 to do.

13 MR. BYRON WILLIAMS: Now, Mr. Wiens, you
14 -- you mentioned two (2) points: one (1) being that --
15 the proper price signals, the other one being customer
16 impact.

17 How much -- what about the impact on the -
18 - the first -- the first block of -- in terms of price?

19 And -- and I guess the point I'm -- I'm
20 going to make to you is that the more you increase the
21 second block, the less the first block can be increased.

22 Is that fair, sir?

23 MR. ROBIN WIENS: Yes, that's fair.

24 MR. BYRON WILLIAMS: And would it also be
25 fair to say that if the second block is increased too

1 much, first block energy rates may, in fact, have to go
2 down? Theoretically, that's a possibility?

3 MR. ROBIN WIENS: Of course.

4 MR. BYRON WILLIAMS: And again, kind of
5 moving forward in time, would it ever be appropriate in
6 your view to increase the second block rate by such a
7 great degree that the first block rate went down?

8 MR. ROBIN WIENS: I -- I don't think
9 we've put a position on that, on the record. I -- I
10 would say that certainly you would not want the first
11 block to go down substantially in any one (1) year, or
12 even over a number of years.

13 MR. BYRON WILLIAMS: Your concern, of
14 course, being the -- the price signal you're sending to
15 those whose consumption does not exceed the -- the first
16 block.

17 Is that right, sir?

18 MR. ROBIN WIENS: That's right.

19 MR. BYRON WILLIAMS: Now in terms of the
20 -- and -- in terms of the -- the 900 kilowatt hour first
21 block, my understanding is that that is based is on the -
22 - or is reflective of the average usage, by month, for
23 residential customers who are standard as opposed to all
24 electric.

25 Would that be fair?

1 MR. ROBIN WIENS: It's close to that,
2 yes.

3 MR. BYRON WILLIAMS: And just in -- in
4 terms of putting a bit more precision on that, that nine
5 hundred (900) first block, does it assume that the home
6 uses gas or -- or electricity for hot water heating?

7 MR. ROBIN WIENS: We're not certain of
8 that, Mr. Williams. Some of the -- it would be based on
9 a standard customer, and some of them may have electric
10 water heaters, and some of them don't. We -- we don't
11 have a way of identifying that.

12 MR. BYRON WILLIAMS: Is water heating
13 considered to be a more elastic usage than -- than
14 lighting, for example, or appliances, Mr. Wiens, in the
15 short-term? I'm just --

16 MR. ROBIN WIENS: Probably not in the
17 short-term. When -- when a customer's likely to make
18 that decision, is going to be when they have to replace
19 the tank.

20 MR. BYRON WILLIAMS: Mr. Wiens, you've --
21 you're familiar with Mr. Harper's evidence on inverted
22 rates, at least at a high level, sir?

23 MR. ROBIN WIENS: Yes.

24 MR. BYRON WILLIAMS: And would it be fair
25 to say that, in reading Mr. Harper's evidence, he --

1 would your interpretation of Mr. Harper's evidence be
2 that, intellectually, he has some considerable sympathy
3 for the idea of con -- inverted rates, but that he
4 expresses concerns for certain classes of customers, one
5 (1) of them being, those using all electric with few
6 competitive substitutes?

7 Would that be fair, sir?

8 MR. ROBIN WIENS: Yes, I think so.

9 MR. BYRON WILLIAMS: And you're also
10 aware that he expresses concerns for -- in terms of the
11 ability to choose more efficient energy sources or to
12 insulate, for example, he -- he has concerns for those
13 who, by reason of their relatively low income, are
14 perhaps less able to afford demand-side management
15 options.

16 Are you aware of that, sir?

17 MR. ROBIN WIENS: Yes, I believe so.

18 MR. BYRON WILLIAMS: And also you're
19 aware -- a third point Mr. Harper makes relates to
20 renters who may have to pay the -- the heating bill, but
21 who lack the tools to -- who lack the tools to -- because
22 they -- they don't control the building to effect changes
23 in the building.

24 Are you aware of that?

25 MR. ROBIN WIENS: Yes.

1 MR. BYRON WILLIAMS: And I wonder in
2 terms of those three (3) areas identified Mr. -- Mr.
3 Harper, if you can provide at a high level, the
4 Corporation's response, in terms of, as a starting point
5 the -- the realty or the reasonableness of those
6 concerns, sir?

7

8 (BRIEF PAUSE)

9

10 MR. ROBIN WIENS: Well, with respect to
11 the heating loads that are not easily converted to other
12 fuels, I -- I think we've had some discussion on the
13 record about these already, and we've indicated that we -
14 - we know we have to go back and take a look at what we -
15 - how we can design the rate to accommodate those
16 concerns and at the same time balance that off against
17 the efficient price signals.

18 So I -- I think we've indicated on the
19 record already that we recognize that concern.

20 With respect to demand-side management,
21 low income issues, and with respect to the landlord-
22 tenant concerns, you know, I think the other panel has
23 indicated earlier on in this proceeding that we are
24 putting measures together to deal with -- that deal with
25 those concerns specifically with respect to the rate.

1 I think we -- we have some sympathy for
2 that as well and again the -- the balancing of the
3 concern of customer impacts with getting the price signal
4 out there and -- and the -- the idea that we would look
5 at a gradual implementation is the -- the way we see
6 dealing with those.

7 MR. BYRON WILLIAMS: And just going to
8 that point and I thank you for that answer, Mr. Wiens.
9 In terms of the first panel, you certainly heard evidence
10 that the -- the target for DSM programming for low income
11 homes was forty-six hundred (4,600) or so over a number
12 of years.

13 Do you recall that, sir?

14 MR. ROBIN WIENS: I do.

15 MR. BYRON WILLIAMS: And you also recall
16 that the target population was considerably larger than
17 forty-six hundred (4,600) homes, sir?

18 MR. ROBIN WIENS: Yes, I don't recall
19 exactly the numbers, but there was a difference there,
20 yes.

21 MR. BYRON WILLIAMS: And given that
22 reality, that would be one (1) of the factors suggesting
23 caution in -- in the pace at which inverted rates are --
24 are implemented at -- or the pace at which you move
25 towards marginal costs.

1 Would that be fair, sir?

2 MR. ROBIN WIENS: That would be fair.

3 MR. BYRON WILLIAMS: Mr. Wiens or Mr.
4 Thomas, I'm not sure who this goes to, but you've had
5 some discussion with Mr. Peters certainly in terms of the
6 -- the monthly basic charge and the fact that it is
7 considerably -- at six twenty-five (625) a month is
8 considerably below the total customer relay -- relay of
9 costs.

10 Do you recall those conversations, sir?

11 MR. ROBIN WIENS: Yes.

12 MR. BYRON WILLIAMS: Now do you have in
13 your hand, Mr. Wiens, perhaps you could pull it up
14 Coalition Number 1-48, if you could, sir.

15 MR. ROBIN WIENS: I take it that that was
16 not part of the exhibits that you provided us with on
17 Friday.

18 MR. BYRON WILLIAMS: No, I -- I apologize
19 with all my heart.

20

21 (BRIEF PAUSE)

22

23 MR. BYRON WILLIAMS: One -- 1-48 Sub B.

24

25 (BRIEF PAUSE)

1 MR. ROBIN WIENS: Yes, we have it.

2 MR. BYRON WILLIAMS: Now, Mr. Wiens, as I
3 understand this question, we were basically asking for
4 the Corporation to breakout the unit -- customer-related
5 costs for the residential class excluding customer-
6 related dis -- distribution plant costs.

7 Is that right, sir?

8 MR. CHIC THOMAS: Yes, so it's just the
9 customer costs.

10 MR. BYRON WILLIAMS: And would I be right
11 in suggesting that when we -- we look at just customer
12 service and metering costs, the monthly unit cost came
13 out to about eight dollars and seventy-one cents (\$8.71).

14 Is that right?

15 MR. CHIC THOMAS: Yes.

16 MR. BYRON WILLIAMS: And recognizing the
17 -- recognizing the Corporation's interest, at least in
18 the short term in maintaining a basic service charge, do
19 you have any thoughts on -- on -- on what we should be
20 aiming at recovering with it? For example, meters, meter
21 reading.

22 Like -- I guess what I'm trying to put --
23 put to you, is whether -- given the other rate design
24 issues, whether the basic monthly charge should be
25 focussed on recovering the customer costs excluding

1 customer-related distribution flat costs.

2 MR. CHIC THOMAS: Well I think Mr. Wiens
3 had indicated prior that there's a lot of issues
4 surrounding the basic monthly charge and, you know, you
5 can recover 100 percent of -- of these costs through the
6 basic monthly charge or else what usually is the case is
7 you're -- you're recovering it in -- on a volumetric
8 basis.

9 So there's a tradeoff between two (2).
10 Whatever choice you go down can be a means to either one
11 (1) of those ends so.

12 MR. BYRON WILLIAMS: But customer-related
13 costs are a legitimate cost of the Corporation. They're
14 costs that are being incurred for these services,
15 correct?

16 MR. CHIC THOMAS: Yes.

17 MR. BYRON WILLIAMS: And to the extent
18 one went to a pure volumetric recovery of these costs,
19 there would be considerations of fairness to -- to
20 certain consumers -- there'd be winners and losers in
21 terms of recovering on -- on a volumetric basis.

22 Is that right, sir?

23 MR. CHIC THOMAS: Yes.

24 MR. BYRON WILLIAMS: And the losers would
25 tend to be high volume users, is that right?

1 MR. CHIC THOMAS: Yes, they'd be
2 subsidizing the lower volume users.

3 MR. BYRON WILLIAMS: And so there are
4 issues of fairness around that, correct?

5 MR. CHIC THOMAS: Yes.

6 MR. BYRON WILLIAMS: And so the question
7 I'm putting to you is whether, in terms of customer-
8 related costs, a reasonable saw-off or compromise might
9 be to -- to exclude the customer-related distribution
10 costs -- plant costs and focus just on customer service
11 and metering costs.

12 I'm looking for the Corporation's thoughts
13 on that.

14 MR. ROBIN WIENS: Mr. Williams, I -- I
15 think we've probably gone over this before as well, that
16 in terms of how -- how faithful we are to embedded costs
17 in the -- in the -- derived from the study, depends on
18 how far away we get from the overall revenue requirement
19 issue.

20 And we have some rate design issues to
21 address at the level of the individual components of the
22 rate structure and whether you continue to include the
23 distribution -- customer-related distribution plant costs
24 in the embedded study or not, we're going to be focussed
25 on the price signal and to the extent that the -- the

1 overall revenue requirement allows us to do that, then we
2 are -- that's what we're going to do.

3 And we're not going to, in terms of
4 recovering fixed costs, I think we always want to recover
5 some of the fixed costs to a basic monthly charge, but
6 we're not necessarily fixated on recovering all of them.

7 So this is more of a rate -- to us, this
8 is more of a rate design issue than it is an issue of --
9 of embedded costs in the residential class.

10 There -- we -- we've had some
11 disagreement with participants in this proceeding in the
12 past about whether a distribution-related cost can be
13 considered to be customer-related or whether they
14 shouldn't be considered to be demand-related.

15 And we still -- we continue to believe
16 that from a pure cost causality basis that some of these
17 costs are related more to just having service available
18 to serve the customer than to their demands. But that
19 doesn't mean that at the level of the element in the rate
20 structure that we're looking to necessarily recover them
21 that way.

22 MR. BYRON WILLIAMS: Thanks, Mr. Wiens.
23 I'm going to -- to jump around and Mr. Chairman, I have
24 one (1) more question here, and then I won't take long
25 after the break, but there's one (1) document that I want

1 to share with Hydro before I share it with -- with the
2 Board. So I'll just finish up this one (1) area and with
3 the Board's per -- permission take a -- a brief break.

4 And I'm not sure who this goes to, but
5 there was information provided by Manitoba Hydro on the
6 record in PUB 1-41 in terms of the actual number of
7 disconnections provided between April 1st, 2007 and
8 November 21st, 2007. And -- and I don't know if that
9 goes to you, Mr. Warden, or -- or who it -- who it goes
10 to. Sub G.

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: It's not going to be
15 a very controversial question, Mr. Warden.

16 MR. VINCE WARDEN: We're ready.

17 MR. BYRON WILLIAMS: A lot of calories
18 I've asked you to employ. Just -- you'll agree with me
19 that we've got the part year results for -- for
20 disconnections being from the period from April 1st,
21 2007, to November 21st, 2007, sir?

22 MR. VINCE WARDEN: Yes.

23 MR. BYRON WILLIAMS: And all that paper
24 shuffling for -- I -- I was hoping that the Corporation
25 could provide an update to -- to year end, March 31st,

1 2008, of the most recent available data in terms of
2 disconnections.

3 MR. VINCE WARDEN: Sure, we can do that.

4

5 --- UNDERTAKING NO. 84: Manitoba Hydro to provide
6 Coalition an update to year
7 end, March 31st, 2008, of the
8 most recent available data,
9 in terms of disconnections

10

11 CONTINUED BY MR. BYRON WILLIAMS:

12 MR. BYRON WILLIAMS: And would you be
13 able to break it out in terms of how many of those
14 disconnections were residential, sir?

15 MR. VINCE WARDEN: Yes.

16 MR. BYRON WILLIAMS: Am I correct in
17 suggesting to -- that as a result of the Banner
18 Implementation System you've been able to collect this
19 matter -- this data in a matter that's standardized and
20 automated.

21 Is that right, sir?

22 MR. VINCE WARDEN: Yes, that's correct as
23 well.

24 MR. BYRON WILLIAMS: Would I also be
25 correct in saying that it's difficult to compare past

1 results with your '07/'08 results because of the -- the
2 change in information via -- via Banner.

3 Would that be correct, sir?

4 MR. VINCE WARDEN: Yes.

5 MR. BYRON WILLIAMS: Past disconnection
6 statements would -- statistics would tend to be
7 understated?

8 Would that be fair?

9 MR. VINCE WARDEN: Yes, a lot of the
10 disconnects that took place were not accumulated in the -
11 - in the Banner System. Therefore, they would be
12 understated, yes, in total.

13 MR. BYRON WILLIAMS: Then I'll restrict
14 my request to -- to just this year with a breakdown, and
15 you'll undertake to provide that -- that information.

16 MR. VINCE WARDEN: Yes, we'll do that.

17 MR. BYRON WILLIAMS: Mr. Chairman, this
18 would be a good time for a -- a break if I might.

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

21

22 --- Upon recessing at 10:05 a.m.

23 --- Upon resuming at 10:29 a.m.

24

25 THE CHAIRPERSON: Mr. Williams...?

1 MR. BYRON WILLIAMS: Yes. And, Mr.
2 Chairman, I have one (1) other exhibit I wish to cover
3 today, and then -- I did share some information with
4 Manitoba Hydro that I'd drawn from the most Edison
5 Survey.

6 But I -- yeah, and actually perhaps you
7 could turn that over and not look at it because Hydro
8 hasn't had a chance to -- to check the numbers.

9 So what I was going to suggest with that -
10 - that Edison results is that we stand down. It'll only
11 be a few minutes of discussion, but give Manitoba Hydro
12 an opportunity to -- to review it and -- and make sure
13 that I've -- and resume sometime later in the proceeding,
14 subject to Ms. Ramage's comments.

15 MS. PATTI RAMAGE: Yeah, I think that's
16 the appropriate way to deal with it. The witnesses need
17 an opportunity to confirm the numbers or to understand.
18 There's no suggestion that Mr. Williams hasn't
19 transcribed them correctly. It's just we need to
20 understand how Edison used those numbers.

21 THE CHAIRPERSON: By the way, before you
22 get into it, when you say at the bottom, "exchange rate
23 99.27", which way? Is it the American dollar's worth
24 ninety-nine point two seven (99.27) Canadian, or the
25 other way around?

1 MR. BYRON WILLIAMS: I'll have to go to
2 the book which I've loaned to -- to Hydro.

3 THE CHAIRPERSON: Yes. Sorry, to be
4 difficult, that's fine.

5 MR. BYRON WILLIAMS: And I've just
6 miraculously come upon the knowledge that one (1) US
7 equals point nine nine two seven (.9927) Canadian.

8 So we'll -- we'll stand that down with the
9 Chair's permission. There is one (1) exhibit which I've
10 shared with Hydro probably a few weeks ago but it's the
11 one titled, "Monthly Bills for Residential Customers,"
12 Mr. Gaudreau.

13

14 (BRIEF PAUSE)

15

16 THE CHAIRPERSON: We can assign this a
17 number, Mr. Williams. COALITION-34 (sic).

18

19 --- EXHIBIT NO. COALITION-32: Document entitled,
20 "Monthly Bills for
21 Residential Customers"

22

23 MR. BYRON WILLIAMS: Thank you, Mr.
24 Chairman.

25

1 CONTINUED BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: And I'm not sure if
3 this goes to Mr. Warden or Mr. Wiens but can we just
4 confirm in terms of rate increases since April 1st of
5 2004, the Board by virtue of Order 101/'04 in August of
6 2004, approved a 5 percent increase for all customer
7 classes?

8 Can you approve that, sir?

9 MR. VINCE WARDEN: Yes, that's correct.

10 MR. BYRON WILLIAMS: And also on April
11 1st, 2005 by virtue of Order 34/'05, the Board approved a
12 2.25 percent increase for all customer classes, correct?

13 MR. VINCE WARDEN: Yes.

14 MR. BYRON WILLIAMS: And in -- on March
15 1st, 2007 by virtue of Order 20/'07 an interim increase
16 for all customer classes of 2.25 percent was approved,
17 correct?

18 MR. VINCE WARDEN: Correct.

19 MR. BYRON WILLIAMS: And effective April
20 1st, 2008 Manitoba Hydro's proposing a 2.9 percent
21 increase.

22 Is that correct?

23 MR. VINCE WARDEN: Correct.

24 MR. BYRON WILLIAMS: In terms of the
25 table marked as COALITION-34 --

1 MR. BOB PETERS: Mr. Chairman, I'm going
2 to jump in and correct some information. I, in my zeal
3 to help Mr. Williams rare as it may be, I thought it was
4 Exhibit COALITION-34. I'm corrected by Mr. Gaudreau that
5 it'll be Coalition Exhibition 32.

6

7 CONTINUED BY MR. BYRON WILLIAMS:

8 MR. BYRON WILLIAMS: I appreciate that,
9 Mr. Peters. My confidence was starting to be shaken
10 because I was off by two (2).

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: Mr. Wiens, if -- if
15 this -- if you're the right guy for this -- this table,
16 that's lovely.

17

18 (BRIEF PAUSE)

19

20 MR. BYRON WILLIAMS: Thank you, and I
21 apologize for the delay. Mr. Wiens, you'll -- you'll see
22 at the -- the bottom of this table the -- what -- what
23 are set out are the -- the app -- approved or proposed
24 charges for the basic charge, the -- the first block and
25 the balance at certain periods in time.

1 Do you see that, sir?

2 MR. ROBIN WIENS: Yes.

3 MR. BYRON WILLIAMS: So just by way of
4 example, we see for the basic charge, it was unchanged --
5 it's basically remained unchanged since November 1st,
6 2001.

7 Is that right, sir?

8 MR. ROBIN WIENS: Yes.

9 MR. BYRON WILLIAMS: And in terms of the
10 energy charge, we see first of all that the first block
11 was not changed either in August 1st, 2004 or April 1st,
12 2005.

13 Would that be right, sir?

14 MR. ROBIN WIENS: Yes.

15 MR. BYRON WILLIAMS: We see as we go
16 along that there was a -- a change in the interim
17 application of -- of March 1st, '07, a -- a slight
18 increase to the -- the first block.

19 Is that correct, sir?

20 MR. ROBIN WIENS: Yes.

21 MR. BYRON WILLIAMS: And then we see that
22 in terms of the -- in the proposed application before the
23 board, the first block is incr -- is proposed to be
24 increased to 900 kilowatt hours, and that there's also a
25 -- a very modest proposed increase in the -- in the first

1 block.

2 Is that -- that right, sir?

3 MR. ROBIN WIENS: Yes.

4 MR. BYRON WILLIAMS: If we look at the --
5 the pattern of the -- the balance or the remaining block,
6 we see changes in -- in all -- in the August 1st, April
7 '04, April 1st, '05, and the March 1st, '07.

8 Is that correct, sir?

9 MR. ROBIN WIENS: Yes.

10 MR. BYRON WILLIAMS: And finally the --
11 the ma -- the move to the -- a slight inverted rate
12 structure proposed for April 1st, '08.

13 Is that correct?

14 MR. ROBIN WIENS: Yes.

15 MR. BYRON WILLIAMS: Now in terms of the
16 upper part of the table, you can see that we've taken
17 four (4) hypothetical monthly use levels. Those being
18 eight 800, 1,000, 1,200, and 1,500 kilowatt hours.

19 Is that correct, sir?

20 MR. ROBIN WIENS: Yes.

21 MR. BYRON WILLIAMS: And we've -- you'll
22 accept, subject to check, that what we've done in the
23 April 1st, 2004 column, is taken what these -- these
24 monthly uses would have paid on a monthly basis as of
25 April 1st, 2004, and -- and indexed that as being one

1 hundred (100).

2 Is that correct, sir?

3 MR. ROBIN WIENS: Yes.

4 MR. BYRON WILLIAMS: And then, again,
5 subject to the voracity of the calculations, we've
6 calculated what these use levels would pay as a
7 consequence of the August 1st, '04, April 1st, 2005, and
8 March 1st, 2007 rate approvals -- increase approvals.
9 Correct, sir?

10 MR. ROBIN WIENS: Yes.

11 MR. BYRON WILLIAMS: And also, we've
12 looked at the impacts of the proposed 2008 rate increase.

13 Is that right, sir?

14 MR. ROBIN WIENS: Yes.

15 MR. BYRON WILLIAMS: And we've done that
16 both on a dollar basis and an index basis.

17 Is that right, sir?

18 MR. ROBIN WIENS: Yes.

19 MR. BYRON WILLIAMS: I appreciate your
20 patience, Mr. Wiens.

21 Going to the -- to the -- I just -- to
22 illustrate this, we can see that for -- for the customer
23 using 1,500 kilowatt hours a month, the -- the rate that
24 that customer was paying as of April 1st, 2004, was about
25 eighty-four, seventy-four (84.74) a month, sir, correct?

1 MR. ROBIN WIENS: Yes.

2 MR. BYRON WILLIAMS: And today, what
3 they're paying is about ninety three dollars and thirty
4 cents -- cents (\$93.30) per month, correct?

5 MR. ROBIN WIENS: Yes.

6 MR. BYRON WILLIAMS: We can also see that
7 they're projected to be paying ninety-six twelve (96.12),
8 if the proposed rate increase is granted as sought.

9 Is that right?

10 MR. ROBIN WIENS: Yes.

11 MR. BYRON WILLIAMS: And index wise,
12 they've gone from about one hundred (100) to about a
13 hundred and thirteen point four (113.4).

14 Would that be correct, sir?

15 MR. ROBIN WIENS: Yes.

16 MR. BYRON WILLIAMS: And without going
17 through them, you can also confirm that there's a -- that
18 there have been similar, albeit somewhat slower changes
19 in the rates for the -- the assumed monthly uses of eight
20 hundred (800), one thousand (1,000) and twelve hundred
21 (1,200).

22 Would that be right, sir?

23 MR. ROBIN WIENS: Yes.

24 MR. BYRON WILLIAMS: Mr. Chairman,
25 subject to that Edison material that's at -- and subject

1 to any undertakings that are outstanding, that closes the
2 Coalition's cross-examination.

3 THE CHAIRPERSON: Thank you, Mr.
4 Williams. So Ms. McCaffrey for MIPUG, I believe you are
5 up next.

6 MS. TAMARA MCCAFFREY: Thanks and good
7 morning to everyone. Just right at the start Mr. Landry,
8 of course, is here today. He is going to be dealing with
9 the questions surrounding the new proposed industrial
10 rate.

11 So what I propose to do is I will bat
12 warm-up a little bit on some Cost of Service questions,
13 stand down for Mr. Landry. And the purpose of that is,
14 of course, to ensure that Mr. Landry's able to complete
15 his cross-examination given that he -- he is here with us
16 from British Columbia. So --

17 THE CHAIRPERSON: Very good.

18 MS. TAMARA MCCAFFREY: -- I hope that
19 won't be too disruptive. At the outset, can we file a
20 MIPUG book of references? Mr. Gaudreau can help me with
21 what exhibit number we're -- we're at now. I'm sorry not
22 to have it handy.

23

24

(BRIEF PAUSE)

25

1 MS. TAMARA MCCAFFREY: Thank you, Mr.
2 Gaudreau. Mr. Chairman and members of the Board, I
3 propose that this be entered as MIPUG Exhibit 10.

4 THE CHAIRPERSON: Very good.

5

6 --- EXHIBIT NO. MIPUG-10: MIPUG book of references

7

8 CROSS-EXAMINATION BY MS. TAMARA MCCAFFREY:

9 MS. TAMARA MCCAFFREY: Well, good
10 morning, panel. It's nice to -- to see you again. I'm
11 going to start off by jumping right into some questions
12 about time of use and inverted rate structures. So --
13 but just to be clear that the context of my questions
14 will not be with reference to the proposed new industrial
15 rate. So we're going to take that out of the box for
16 now, and I'm going to ask you just more generally with
17 respect to rate design for other general service large
18 customers.

19 So with that content, at present the rates
20 in place for these general service large customers
21 consist of a demand charge and a single energy block
22 charge, correct? Mr. Thomas, Mr. Wiens, whoever wants to
23 answer.

24 MR. CHIC THOMAS: Yes.

25 MS. TAMARA MCCAFFREY: And Manitoba

1 Hydro's proposing to apply the requested rate increase
2 only to the energy portion of the rate. No change is
3 proposed for the demand portion of the rate, correct?

4 MR. CHIC THOMAS: Yes.

5 MS. TAMARA MCCAFFREY: And there is no
6 proposal for time-of-use rates or inverted rates for
7 these customers, correct?

8 MR. CHIC THOMAS: Yes.

9 MS. TAMARA MCCAFFREY: Now, let's start
10 with inverted rates. We've already had some descriptions
11 of this on the record, so I'll be brief here, but an --
12 an inverted rate design would have at least two (2)
13 different energy blocks. As I understand it, the end
14 block would be priced higher than the first block.

15 Is that generally correct?

16 MR. CHIC THOMAS: Yes.

17 MS. TAMARA MCCAFFREY: And you might use
18 the second block to send a price signal that's
19 directionally linked to -- to a marginal cost kind of
20 price signal.

21 Has that been your evident?

22 MR. CHIC THOMAS: Yes.

23 MS. TAMARA MCCAFFREY: Now Hydro has
24 said, in -- in the record and -- and otherwise, it's
25 generally supportive of an inverted rate structure for

1 domestic customers.

2 Is that correct?

3 MR. CHIC THOMAS: Yes.

4 MS. TAMARA MCCAFFREY: With respect to
5 time-of-use rates, those rates would be different energy
6 charges for different times of day, or seasons of the
7 year, or they could be both, or some combination of -- of
8 both.

9 Is that correct?

10 MR. CHIC THOMAS: Yes.

11 MS. TAMARA MCCAFFREY: Now just generally
12 could you tell me about the differences in how you would
13 look at designing rates for seasonal differences as
14 opposed to time-of-day differences.

15 Is one (1) easier to study, or manage, or
16 design than the other? Does Hydro -- what are your
17 thoughts about that, Mr. Wiens?

18 MR. ROBIN WIENS: I don't know that one
19 (1) is necessarily easier to design than the other. Over
20 the years we have been less concerned about time-of-day
21 than we have been about season.

22 And the reason is that we couldn't be
23 absolutely certain that the types of time-of-day
24 differences that you can see from time to time in the --
25 in the export market would be -- can be translated into

1 the Manitoba market because of tie line constraints among
2 other things.

3 MS. TAMARA MCCAFFREY: Manitoba Hydro has
4 filed some information contained in Appendix 12 point 3
5 which was in response to the Public Utility Board order
6 117/'06; the directives in that content.

7 You -- I'll ask you the question. You can
8 -- if you want to refer to something that's fine but it -
9 - essentially your response there -- and I'll take you to
10 it is with respect to Public Utility Board order 117/'06
11 directive four (4). I'll read it to you:

12 "Manitoba Hydro shall file with the
13 Board the following information and
14 reports by no later than April 30th,
15 2007."

16 Sub E:

17 "A report and recommendations to
18 establish time-of-use rates for non-
19 residential customer classes,
20 particularly large volume consumers."

21 You're familiar with that directive,
22 obviously.

23 MR. ROBIN WIENS: Yes.

24 MS. TAMARA MCCAFFREY: And with respect
25 to the response that Manitoba Hydro filed there, it seems

1 that Manitoba Hydro is saying, among other things, that
2 it needs more time, more study essentially. More -- more
3 steps or any steps have to be taken towards developing
4 such a proposal.

5 MR. ROBIN WIENS: Yes.

6 MS. TAMARA MCCAFFREY: Is that right sir?
7 Would you be able to elaborate for the Board exactly what
8 these studies would be and why they're needed?

9 MR. ROBIN WIENS: I think we have already
10 provided a listing in that particular appendix.

11 MS. TAMARA MCCAFFREY: You did. You did
12 go through the steps that would have to be taken with
13 respect to developing such a rate and that is in that
14 appendage from steps number one (1) through seven (7).
15 And I actually have that in front of me, but I don't see
16 a description of the types of studies that you would be
17 talking about.

18 Would -- would they -- would these be an
19 external thing? Would these be an internal study? Maybe
20 you need to -- do you need to turn to the appendices now
21 to --

22 MR. ROBIN WIENS: Can you define what you
23 mean by "internal versus external"?

24 MS. TAMARA MCCAFFREY: I just wondered
25 just if you could elaborate a little bit more on the

1 types of studies that you'd require to -- to get this
2 ball rolling. You've given an estimate, I think, of
3 twelve (12) to eighteen (18) months to really put
4 something into place so I'm just trying to flush that out
5 a little bit.

6 MR. ROBIN WIENS: We would like to be
7 able to confirm the -- as a first step, we would like to
8 be able to confirm the -- I think we used the term "long-
9 term sustainability" in terms of the price differences
10 between time periods.

11 Currently, we do have -- we provide prices
12 for surplus energy program customers that are based on
13 what the perception in the short term for the market is.
14 We would like to be able to have a better feeling about
15 those differences in terms of the long term, in terms of
16 the firm values to be able to confidently design a time-
17 of-use rate.

18 So that would be the first priority.

19 MS. TAMARA MCCAFFREY: Thank you, Mr.
20 Wiens. That is -- that is helpful. When you referred, a
21 moment ago, to the fact that one of the constraints with
22 respect to time-of-use can -- is this issue with respect
23 to the saturation of the tie lines.

24 Would you like to elaborate on -- on that
25 a little bit as to why that's important and how -- how

1 that would work?

2 MR. ROBIN WIENS: Well, when the tie
3 lines are saturated, there is in effect no real
4 difference that Manitoba Hydro can achieve between peak
5 and off-peak pricing. If the tie lines are saturated 2,
6 or 3 percent of the time, that's probably not a big
7 barrier to design of time-of-use rates.

8 If they're saturated 20, or 30, or 40
9 percent of the time, then we have to be concerned that
10 there's a large period of time in which we're not sending
11 the right price signal through time-of-use rates.

12 MS. TAMARA MCCAFFREY: Thank you, Mr.
13 Wiens. With respect to that, Hydro did have a study done
14 by NERA on time-of-use rates and inverted rate structures
15 in Manitoba in 2005. There has been some discussion of
16 this already.

17 Do you remember that, sir?

18 MR. ROBIN WIENS: Yes, I do.

19 MS. TAMARA MCCAFFREY: And this report
20 generally recommended that Manitoba Hydro look at
21 implementing some forms of inverted and your time-of-use
22 rate structures as well, correct?

23 MR. ROBIN WIENS: Yes, it did.

24 MS. TAMARA MCCAFFREY: And as I've
25 already indicated that also a similar direction found its

1 way into the Board Order 117/'06.

2 The -- the study -- the nearest study
3 found that some other jurisdictions have either time-of-
4 use or inverted rate structures for industrial customers.

5 You're familiar with that?

6 MR. ROBIN WIENS: Yes.

7 MS. TAMARA MCCAFFREY: Now can Hydro's
8 metering for these types of customers and billing systems
9 support an inverted rate or time-of-use rate structure?

10 MR. ROBIN WIENS: Generally they can,
11 yes. They might not be able to do so in all cases, but I
12 think most cases they can.

13 MS. TAMARA MCCAFFREY: If I recall your
14 evidence correctly with Mr. Peters, you -- you indicated
15 certainly for general service large.

16 MR. ROBIN WIENS: I would say for all
17 general service large over 30 kV. We may not have all
18 general service large under 30 kV capable of time-of-use
19 metering.

20 MS. TAMARA MCCAFFREY: Thank you. Now
21 given the time line that we've heard, the twelve (12) to
22 eighteen (18) month time line that we've heard talked
23 about, and the fact that this is not a new concept for
24 Manitoba Hydro, it was looked at from NERA and in their
25 report of 19 -- or 2005 and it, of course, found its way

1 into the Board Order in 2006.

2 Now here we are, we're at 2008. Can we
3 expect to have a -- can I ask for a commitment from
4 Manitoba Hydro that some time in 2009, we're going to
5 have something on the table? Some sort of a proposal
6 with respect to inverted or time-of-use rates?

7 And I see Mr. Warden looked up at that
8 point. Go ahead, Mr. Warden.

9 MR. VINCE WARDEN: Well, Ms. McCaffrey,
10 it is a matter of priorities at Manitoba Hydro, and we
11 can't, at this time, make a commitment that will return
12 with -- with a proposal for this Board unless so directed
13 by the Board.

14 MS. TAMARA MCCAFFREY: Okay. And -- and
15 -- and of course, you have been directed before by the
16 Board to -- to look at it and consider it.

17 And I understand through the cross-
18 examination by Mr. Peters, Board's counsel, some of the
19 highlights of which I -- I've made a note that Hydro is,
20 despite that directive, not studying it right now, but
21 the stars may be aligning, I think was your phrase, Mr.
22 Wiens, that it might be something now we want to start
23 taking a much closer look at.

24 Manitoba Hydro intends to be more vigorous
25 about it. You recall saying these things? I can give

1 you transcript page references if you need them, but I
2 think you remember.

3 MR. ROBIN WIENS: Well I may not remember
4 the specific transcript pages, but certainly that's --
5 that's been our thought.

6 MS. TAMARA MCCAFFREY: I'm not misstating
7 your -- your evidence.

8 MR. ROBIN WIENS: No, you're -- you're
9 not, and we -- we are definitely -- we are definitely
10 intending to pursue this more vigorously.

11 Whether that translates into bringing a
12 specific proposal back to this Board is another matter,
13 but we do intend to pursue this.

14 MS. TAMARA MCCAFFREY: Okay. And -- and
15 I -- I'm just trying to deal in terms of tangibles -- I
16 think that one (1) of the things that you've indicated,
17 even in your filed evidence, and I'm looking here -- yes,
18 at Appendix 12.3 that we were discussing earlier --
19 you've indicated that some changes have occurred since
20 2005 NERA report was filed which provided greater support
21 to the implementation of time-of-use rates.

22 The domestic loads increased -- I -- I can
23 give you the page number, it's page 2 of that appendices.
24 But I'll -- I'll read it to you:

25 "The domestic load has increased which

1 means that with less energy to sell
2 into the export market, the tie lines
3 will be constrained for a smaller
4 proportion of time."

5 That was one (1) of the things you were
6 alluding to earlier.

7 MR. ROBIN WIENS: Yes. Yes, certainly
8 that's what we -- at the time we prepared this evidence,
9 that definitely seemed to be the case.

10 MS. TAMARA MCCAFFREY: And a second
11 factor that Manitoba Hydro has indicated that supported
12 time-of-use rates is that Manitoba Hydro's access to MISO
13 energy charges since April of 2005 is now guaranteed you
14 access that market.

15 And the price spread between on-peak and
16 off-peak energy is -- is significant. And the market's
17 now significantly larger so the effect of Manitoba Hydro
18 sales on price is much diminished.

19 Is that correct, sir?

20 MR. ROBIN WIENS: We stated that, yes.

21 MS. TAMARA MCCAFFREY: And those would be
22 examples of how the stars were aligning so of speak to
23 make it maybe the right time to take a good look at this
24 and -- and perhaps get the ball rolling in that regard.

25 MR. ROBIN WIENS: Yes, this -- this

1 happening that this -- that the -- the stars may be
2 aligning better is -- is definitely appears to be the
3 case in the short term markets that we are seeing sustain
4 -- sustained differences in the markets that we're able
5 to access.

6 The -- the next big step, as -- as I
7 stated, is that we have to -- we have -- we have to not
8 only look at that, but we have to look at what it means
9 in the future, and to have a good understanding of how
10 this is going to play out in the future.

11 And this is the area in which Mr.
12 Surminski has -- has the expertise. Mr. Surminski
13 doesn't do the day-to-day marketing. He has to look at
14 the long term. And we have to -- and we have to take the
15 time to examine what the likely evolution of this is
16 going to be, and what type of production costing we're
17 likely to have on an off-peak versus on-peak basis as
18 opposed to just a seasonal basis and whether or not we
19 can adequately depict that in a way that makes us
20 confident that we can proceed to try to design a time-of-
21 use rate.

22 MS. TAMARA MCCAFFREY: And given all
23 those complexities involved, that's why you've given us
24 sort of that twelve (12) to eighteen (18) month sort of
25 timeline. It's not something you could do in a month,

1 for example.

2 MR. ROBIN WIENS: No, it's not something
3 we can do in a month, and it's not necessarily even
4 something we can do over a longer term when you line it
5 up with other priorities that we have to deal with as
6 well. So that's -- that's an issue for us as well.

7 MS. TAMARA MCCAFFREY: And with respect
8 to priorities, is it -- would it be appropriate to
9 suggest that something that might move it up the priority
10 list might be a directive from this Board? Is that --
11 would that be fair, Mr. Warden? Do I understand you
12 correctly from your earlier statement?

13 MR. VINCE WARDEN: Yes, we always respond
14 to directives from this Board.

15

16 (BRIEF PAUSE)

17

18 MS. TAMARA MCCAFFREY: With...

19 MR. VINCE WARDEN: I might just mention
20 though there -- there are situations in which the
21 Corporation even, despite a directive from the Board,
22 there are those situations where the Corporation, because
23 of the other priorities that we've mentioned, ask for
24 more time on a specific directive. And we've done that
25 on a number of occasions with this Board, and fortunately

1 to date, the Board has been understanding.

2 MS. TAMARA MCCAFFREY: Sure and -- and I
3 appreciate that, Mr. Warden. My point simply is that if
4 the Board directs that -- that steps begin to be taken
5 now and -- and puts forward a time frame, say twelve (12)
6 to eighteen (18) months in the future, of some sort of
7 tangible result of that including perhaps consultations
8 held with industrial customers and the things that you
9 need to do, the list that you've given in that appendices
10 to get that ball rolling, that would be something that
11 Manitoba Hydro would make its best efforts to achieving.

12 MR. VINCE WARDEN: I might just say too,
13 Ms. McCaffrey, that if the Corporation deemed that time-
14 of-use rates would be a significant benefit to the
15 Corporation or its customers, we would of been pursuing
16 this more aggressively than we have.

17 But as long as we have the -- the time
18 line constraints that were referenced earlier, time-of-
19 use rates do not really pose a significant advantage to
20 us in the short term.

21 MS. TAMARA MCCAFFREY: You know, I wasn't
22 actually going to go down this road, Mr. Warden. I don't
23 really want to argue with you. It seems to me that
24 Manitoba Hydro's evidence is, sir, though with the
25 greatest of respect, that those studies, this conclusion

1 that you seem to be making is a little premature at this
2 stage.

3 I mean, the steps haven't really been
4 taken. It hasn't really been looked at yet. It's
5 something though that you may be wanting to look at now
6 given the change in circumstances in 2005.

7 MR. VINCE WARDEN: Oh, we've -- we've
8 certainly looked at time-of-use rates at a -- at a high
9 level. And, like we do with any other business
10 opportunity, as to whether we do a screening, if it looks
11 like it has merit to pursue in more -- more depth, we
12 will do that.

13 MR. ROBERT MAYER: Excuse me, Mr. Warden,
14 I'm -- I'm a little surprised at some of the responses
15 I'm hearing. Back at the Clean Environment Commission
16 hearings, we heard about the five sixteen (516) period
17 prices, and as part of the reason to justify the advance
18 construction of -- of Wuskwatim.

19 So I sort of get the impression that
20 that's time-of-use pricing, of some sort, that had been -
21 - been looked at prior to the proposal to advance
22 Wuskwatim.

23 MR. VINCE WARDEN: Wuskwatim was being
24 advanced to take advantage of opportunities on the export
25 market. But there were assumptions being made as to

1 enhance missed transmission capabilities that would be
2 occurring, if not immediately over the -- certainly over
3 the medium-term.

4 MR. ROBERT MAYER: But when you're
5 talking about five sixteen (516) price periods, that's
6 time-of-use pricing, is it not?

7 MR. VINCE WARDEN: Well, that identifies
8 the times that we can get most value for that energy,
9 yes.

10

11 CONTINUED BY MS. TAMARA MCCAFFREY:

12 MS. TAMARA MCCAFFREY: Mr. Warden -- when
13 -- when you're ready.

14

15 (BRIEF PAUSE)

16

17 MR. VINCE WARDEN: Sorry about that, Ms.
18 McCaffrey. We're ready to continue.

19 MS. TAMARA MCCAFFREY: Thanks very much.
20 Mr. Warden, just a couple more points on this -- on this
21 area. Sir, just to go back and make sure that the record
22 is clear, if we saw a directive from this board, to
23 Manitoba Hydro, to start taking the steps with respect to
24 giving serious study to the issue of a time-of-use and
25 inverted rate structure for general service large

1 customers today -- regardless of whether you've looked at
2 it before, or considered it before, but if you've got a
3 directive to start looking at that today, including
4 beginning consultations with industrial customers, which
5 as I understand from Mr. Wiens evidence with Mr. Peters -
6 - that that would be something that you would want to do
7 and have not done as yet -- transcript reference, page
8 1904 -- we would expect that Manitoba Hydro would make
9 its best efforts to do that.

10 MR. VINCE WARDEN: Agreed.

11

12 (BRIEF PAUSE)

13

14 MS. TAMARA MCCAFFREY: Mr. Wiens, with
15 respect to an inverted rate structure for industrial
16 customers with a seasonal component to the second block,
17 how feasible would that be to implement? More or less
18 difficult than the time of day rates?

19 And -- and in -- in plain English, I'm
20 talking about a seasonal component to the second block,
21 i.e. if a customer perhaps dropped use for a month in the
22 summer -- say shut down for a month in the summer,
23 lowered their -- their use. That would free up more
24 power for exports on the export market in the summer
25 months, which is the -- the time where you need it the

1 most.

2 Would that be something that could be
3 implemented, and would that be more or less feasible than
4 -- than a time of day rate, with respect to that?

5 MR. ROBIN WIENS: Well, eith -- either
6 one is feasible. What you have to be careful about is
7 getting it right. The -- the desi -- probably the design
8 of an inverted rate structure for large users is
9 relatively easier to accomplish than a time-of-use
10 structure. But you still have to deal with the issues
11 about how you implement it.

12 And my understanding, with respect to
13 inverted rates to large users, is that the biggest issue
14 is defining baselines. It's not defining the rate
15 structure itself. It's defining baselines and getting a
16 buy-in, in terms of the baselines.

17 So in terms of the rate design it may be
18 somewhat easier than a time of use. In terms of -- in
19 terms of getting it all right in a package, and getting -
20 - getting users to feel comfortable with it, and getting,
21 in fact, getting the Utility, and the regulator to feel
22 comfortable with it, as I understand no mean task.

23 MS. TAMARA MCCAFFREY: Thank you, sir. I
24 -- I certainly wouldn't want to suggest otherwise. Let's
25 move on to a -- a different area now, and following this

1 area I intend to stand down and -- and let Mr. Landry
2 take over the microphone.

3 But with respect to some marginal costs
4 follow-up, Mr. Surminski, we spoke about marginal cost
5 forecasts at some length in the first part of the
6 Hearing. For the sake of clarity of the record, sir, I
7 want to understand the difference between the six point
8 forty-two (6.42) cents per kilowatt hour levelized
9 marginal costs for 2008/'09 -- and I'm referencing your
10 page 12 of Manitoba Hydro's Tab 10.

11 Just so that you have a reference -- you
12 may not need that reference. You may know exactly what
13 I'm referring to here. But it is at page 12 of 18 of
14 that tab.

15

16 (BRIEF PAUSE)

17

18 MR. HAROLD SURMINSKI: Could you give me
19 the page number within that --

20 MS. TAMARA MCCAFFREY: Yes, It's --

21 MR. HAROLD SURMINSKI: -- Tab 10.

22 MS. TAMARA MCCAFFREY: -- I'd be happy
23 too, Tab -- or page 12.

24 MR. HAROLD SURMINSKI: Yes, I have that.

25 MS. TAMARA MCCAFFREY: You're talking

1 here about certain loads advance in the construction of
2 generation. And at the end of the first paragraph you've
3 indicated that it's based on forecast levelized marginal
4 costs to two thousand twenty seven (2,027) and twenty-
5 eight (28). And for the year 2008/'09 only -- this is
6 the last sentence of that first paragraph -- the
7 levelized marginal cost is estimated at six point four
8 two (6.42) cents per kilowatt hour.

9 You also have an indication that, let's
10 see -- that you have a total delivered marginal cost of
11 six point eight four (6.84) cents per kilowatt hour, and
12 that's just the proceeding sentence. I probably should
13 have just taken you through the whole paragraph. That's
14 a longer term marginal cost number.

15 And what I want to do is just clarify; the
16 six point four two (6.42) cents relates to 2008/'09 only.
17 Is that right, sir?

18 MR. ROBIN WIENS: Yes, it does.

19 MS. TAMARA MCCAFFREY: And is this stated
20 in 2008/'09 dollars or some other fiscal year?

21

22 (BRIEF PAUSE)

23

24 MS. TAMARA MCCAFFREY: Is there a
25 discount rate used?

1 (BRIEF PAUSE)

2

3 MR. ROBIN WIENS: If we have the year
4 right, these would be in the dollars of 2006. 2006 costs
5 in dollars.

6 MS. TAMARA MCCAFFREY: And when it says
7 levelized you're referring there that it's across -- it's
8 averaged over ninety-four (94) possible flow scenarios,
9 as opposed to being averaged over different fiscal years.
10 Am I right in that assumption?

11 MR. ROBIN WIENS: Well, the -- the --

12 MS. TAMARA MCCAFFREY: This is relating
13 to the six point four two (6.42) cent number if that
14 helps you.

15 MR. ROBIN WIENS: -- the model looks at -
16 - as I understand it, the ninety four (94) or so flow
17 conditions in -- in each and every year. But correctly
18 levelized marginal costs is normally referring to a
19 series of years, and it's levelized over those years.

20 So technically the -- the use of the term
21 levelized in the last sentence in that paragraph is
22 incorrect.

23 MS. TAMARA MCCAFFREY: With respect to --
24 with respect to the six point eighty-four (6.84) cents
25 per kilowatt hour, you're longer term number, how many

1 years -- do you know how many years that would be
2 calculated over?

3 MR. ROBIN WIENS: I believe it's twenty
4 (20) years.

5 MS. TAMARA MCCAFFREY: And with respect
6 to whether it's in 2008/'09 dollars or some other fiscal
7 year I take it -- is your 2006 dollars answer apply to
8 this number?

9 MR. ROBIN WIENS: Yes, it would apply to
10 that number.

11

12 (BRIEF PAUSE)

13

14 MS. TAMARA MCCAFFREY: Now, just to
15 confirm, those marginal cost numbers, they could also be
16 calculated for each season, for summer and for winter.

17 Is that correct?

18 MR. HAROLD SURMINSKI: Yes, that's
19 correct.

20 MS. TAMARA MCCAFFREY: And seasonal
21 marginal costs would be somewhat different between those
22 two (2) seasons I take it?

23 MR. HAROLD SURMINSKI: Yes, there would
24 be a differential.

25 MS. TAMARA MCCAFFREY: And you could also

1 calculate them based on on-peak versus off-peak periods,
2 and -- and you do so.

3 Is that correct, sir?

4 MR. HAROLD SURMINSKI: That is more
5 difficult for us to calculate. We use approximations for
6 that.

7 MS. TAMARA MCCAFFREY: And the model --
8 with respect to if you modeling -- you model a generic
9 change in load, and I believe you told us that it was 500
10 gigawatt hours or something like that when you're looking
11 at this.

12 Is that right, Mr --

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

14 MS. TAMARA MCCAFFREY: Now, if you had a
15 specific load change with a specific load shape that you
16 were modeling instead, that would affect the marginal
17 costs forecast wouldn't it? I can rephrase that if you
18 need me to.

19 MR. HAROLD SURMINSKI: No, I understand
20 that. Yes, the -- the seasonal or monthly shape of the
21 load is important to determining the marginal value.

22 MS. TAMARA MCCAFFREY: And simply put,
23 different customers would also have different marginal
24 costs because of the difference in their uses based on
25 different -- the different seasons for example?

1 MR. HAROLD SURMINSKI: Yes.

2 MS. TAMARA MCCAFFREY: And so a customer
3 that does shut down in the summer for a period of time,
4 so to speak, lowers their usage, is just going to have a
5 different number than they would in the winter, and
6 similarly a different number than another customer in the
7 summer who doesn't shut down at that time.

8 Fair enough?

9 MR. HAROLD SURMINSKI: Yes, there would
10 be but that would be rather small but -- because it's
11 only a particular number of weeks and within a summer
12 period. It's not like the whole season is -- is
13 modified.

14 MS. TAMARA MCCAFFREY: Okay, and I
15 appreciate your qualification on that.

16 The point is a lot of things would change
17 that marginal system cost that you would use?

18 MR. HAROLD SURMINSKI: Yes, to a limited
19 degree.

20 MS. TAMARA MCCAFFREY: Domestic load
21 growth is something that would change it, correct?

22 MR. HAROLD SURMINSKI: Yes, in the way
23 that it would affect the quantity of surplus energy.

24 MS. TAMARA MCCAFFREY: Another thing that
25 would affect it would be adding new tie-lines; that could

1 change things also, correct?

2 MR. HAROLD SURMINSKI: Yes, correct.

3 MS. TAMARA MCCAFFREY: New hydro plants
4 or closing the Brandon coal generation could also have an
5 impact?

6 MR. HAROLD SURMINSKI: Yes.

7 MS. TAMARA MCCAFFREY: Changes to natural
8 gas price forecasts, would that affect things as well?

9 MR. HAROLD SURMINSKI: Yes, because
10 natural gas affects the export price.

11 MS. TAMARA MCCAFFREY: And similarly
12 environmental premiums related to US or Canadian
13 greenhouse gas policies, could these have an impact?

14 MR. HAROLD SURMINSKI: Yes, whenever they
15 are actually effective. In the early years these are not
16 effective in our marginal costs. We have no significant
17 greenhouse gas adders until 2012.

18 MS. TAMARA MCCAFFREY: Okay. But from
19 that point then -- then they'll have an impact is what
20 you're telling us?

21 MR. HAROLD SURMINSKI: Yes, further out
22 in time.

23 MS. TAMARA MCCAFFREY: How about
24 additional generation in South Dakota; that's another
25 thing that could have an impact on marginal cost

1 forecasts?

2 MR. HAROLD SURMINSKI: Only if it affects
3 our export price. We said that we did not believe there
4 was a significant impact from that.

5 MS. TAMARA MCCAFFREY: All right. But --
6 but taking away from the -- the semantics, that is
7 another factor that could have an impact?

8 I'm not looking at the amounts with you
9 right now but it is something that would impact it?
10 We're just going -- I'm just going through the factors.
11 There's a theme. Are you with me?

12 MR. HAROLD SURMINSKI: Yes.

13 MS. TAMARA MCCAFFREY: Okay. Similarly,
14 the export market structure obviously MAPP/MISO charges,
15 these are other things that -- that could also impact
16 your forecast as well.

17 MR. HAROLD SURMINSKI: Yes, very much so.

18 MS. TAMARA MCCAFFREY: Flow histories,
19 water flows or adding years to your '94 flow scenarios,
20 that could change it as well.

21 MR. HAROLD SURMINSKI: Yes and
22 marginally, but it would have some effect. You're just
23 going through the factors, but I'm qualifying which ones
24 are more significant than others.

25 MS. TAMARA MCCAFFREY: You can qualify

1 away, that's -- the point is just to go through some of
2 the -- the different things that all have an impact here
3 and make your job more interesting I guess.

4 Now Hydro's done some marginal cost
5 studies for a number of years, is that right, Mr.
6 Surminski?

7 MR. HAROLD SURMINSKI: Yes, in the past.
8 We started in 1990 I believe.

9 MS. TAMARA MCCAFFREY: And we know that
10 Manitoba Hydro considers their current expert price
11 forecast studies to be confidential. But what about, for
12 example, the 2002 export forecast?

13 Is that something that Hydro would still
14 consider to be confidential? If you'd like time to
15 consider your response to that with discussions with
16 counsel, that's fine.

17

18 (BRIEF PAUSE)

19

20 MR. HAROLD SURMINSKI: We cannot clearly
21 respond to that. I think we would have to talk to our
22 marketing people to determine whether they consider old
23 forecasts, forecasts as old as 2002.

24 They do provide some guidance because if
25 you start from one (1) forecast then you can go through

1 changes because we do provide indications of how things
2 have changed over time. Then you start in the end just
3 giving a lot of information that people can put together
4 where your current forecast is.

5 MS. TAMARA MCCAFFREY: I'm assuming, sir,
6 that the 2002 export forecast would have included a
7 forecast of export prices or marginal costs for 2008/'09.
8 It would have gone that far forward I'm assuming. Is
9 that --

10 MR. HAROLD SURMINSKI: Yes. We -- we
11 have vintages of -- of marginal prices going back over
12 time, and whenever we have a resource plan we normally
13 redo our calculation of marginal cost because it includes
14 a new forecast of export prices and load forecasts and
15 tie-lines and all those factors.

16 MS. TAMARA MCCAFFREY: And just to
17 conclude, that study -- those forecasts, they're not on
18 the record of this proceeding.

19 MR. HAROLD SURMINSKI: Yes, that's
20 correct.

21 MS. TAMARA MCCAFFREY: I just need a
22 moment to -- to confer with Mr. McLaren, thank you.

23

24

(BRIEF PAUSE)

25

1 MS. TAMARA MCCAFFREY: Mr. Williams had a
2 little chat with you, and I'll be probably following up
3 with some of his excellent cross-examination a little
4 later after Mr. Landry has completed his, but he did have
5 a little chat with you this morning about -- about
6 fairness.

7 You recall that, sir, Mr. Wiens?

8 MR. ROBIN WIENS: Yes.

9 MS. TAMARA MCCAFFREY: One of the things
10 that you talked about is the importance of balancing.
11 The need to send certain price signals to meet Manitoba
12 Hydro's revenue requirement and to also the impacts on
13 the customers from the rates.

14 That's an important consideration, is that
15 fair?

16 MR. ROBIN WIENS: Yes.

17 MS. TAMARA MCCAFFREY: And forgive me if
18 you've already -- if I'm getting you to repeat yourself
19 but just so that the -- the record is crystal clear.

20 One of the things that Manitoba Hydro
21 would agree they would need to do, with respect to
22 developing for example time-of-use rates, would be to
23 have consultations with customers in order to assess the
24 impacts on those customers.

25 MR. ROBIN WIENS: Well we would certainly

1 like the customers to be able to assess the potential
2 impacts on themselves and if they had concerns to -- to
3 indicate those to Manitoba Hydro.

4 MS. TAMARA MCCAFFREY: Sure. And that's
5 -- that's -- that's what I mean by consultation. You'd
6 want input from the customers with respect to what those
7 potential impacts of rate designs that you were looking
8 at would be on the customers, and that would be an
9 important consideration for Manitoba Hydro.

10 MR. ROBIN WIENS: It -- yes, it would be
11 important to see how the customers would react to the --
12 to the price signal, whether they thought they were going
13 to be able to react or otherwise.

14 MS. TAMARA MCCAFFREY: And I think that
15 your point with respect to the customer -- you'd like the
16 customers to assess the impacts on themselves is -- is
17 really aimed at not so much let -- well, that's up to
18 them to let us know if they have a problem, but -- but I
19 think where you were coming from is it would be the
20 customers that would be the best source of information
21 with respect to the impact.

22 It would have -- with respect to certain
23 design. So it would be -- it is important to consult
24 with them in any rate design implementation.

25 MR. ROBIN WIENS: Well, the customers

1 would certainly have a perspective that we would be
2 interested in hearing, yes.

3 MS. TAMARA MCCAFFREY: Thank you. Now I
4 will turn the microphone over to My Friend, Mr. Landry,
5 who will take it away. And I will step back to the back
6 row to give him a little more room.

7 Thank you very much, and I'll come back to
8 this panel when Mr. Landry finishes cross-examination.

9 THE CHAIRPERSON: Very good, sir.

10

11 CROSS-EXAMINATION BY MR. JOHN LANDRY

12 MR. JOHN LANDRY: Thank you, Ms.
13 McCaffrey, and I appreciate the Board and all Counsel and
14 Manitoba Hydro for accommodating me in getting through my
15 cross-examination.

16 Mr. Wiens, I would suspect that most of my
17 questions are directed at you, but feel free to -- if you
18 need your colleagues to help in any way to bounce it over
19 to them. As you know, I've been asked to help MIPUG and
20 the experts that they have retained for the second -- for
21 the second hearing -- to get ready for the second hearing
22 and the issues that will be in the second hearing.

23 So I'm going to be confining my questions
24 to issues that are in some way relevant to the industrial
25 rate proposal that you've put forward to the Board, if

1 that helps as a starting point. And in that respect,
2 sir, I will be confining most of my questions, at least
3 when I'm referencng to documents, to MIPUG Exhibit
4 Number 10 which was just filed with the Board.

5 And if you could have that before you it
6 might help us as we go along. Do you have that?

7 MR. ROBIN WIENS: I have it.

8 MR. JOHN LANDRY: Now, again to go over a
9 little bit of ground that's been covered either during
10 the GRA proceeding itself or in the MIPUG motion, sir,
11 you're obviously aware that MIPUG is anxious that the
12 Board not proceed at this Hearing to deal with any issues
13 relating to the industrial rate proposal.

14 Do you know that?

15 MR. ROBIN WIENS: They brought forward a
16 motion to that effect back in January.

17 MR. JOHN LANDRY: And you know that
18 that's their position?

19 MR. ROBIN WIENS: Yes.

20 MR. JOHN LANDRY: And what they've
21 indicated to Manitoba Hydro on a number of occasions is
22 that they would like to have the opportunity to put
23 before the Board more infor -- more information they
24 believe will be helpful to the Board in coming to a
25 determination on whether or not to approve that proposal.

1 MR. ROBIN WIENS: Yes, I understand
2 that's what they've said.

3 MR. JOHN LANDRY: And that they would
4 like -- they would like to bring forward independent rate
5 design and economic policy experts to look at the whole
6 approach that's being adopted by Manitoba Hydro.

7 You've been told that?

8 MR. ROBIN WIENS: I understand they want
9 to bring forward additional witnesses to give evidence on
10 this matter, yes.

11 MR. JOHN LANDRY: And what they'd like to
12 do is have a full examination, for example, of the other
13 approaches that have been adopted in -- in jurisdictions,
14 not Manitoba, to help determine what should be the best
15 made-in-Manitoba solution.

16 That's what they've said to you?

17 MR. ROBIN WIENS: Mr. Landry, they have
18 said they want to bring forward additional witnesses.
19 The purpose of those witnesses or the purpose of bringing
20 forward those witnesses I'm not sure has been fully
21 communicated to us. It's -- it's their witnesses, and
22 they will -- they will educe the evidence that they want
23 to educe.

24 MR. JOHN LANDRY: But sir, it's been made
25 pretty clear by the mug -- MIPUG members that they'd like

1 to bring this information forward to the Board to help in
2 trying to determine what the best proposal for Manitoba
3 is.

4 Is that a fair statement?

5 MR. ROBIN WIENS: That's fair.

6 MR. JOHN LANDRY: Now, a number of my
7 questions are going to be in relation to that -- that
8 type of issue, so I -- I think I'd first like to start,
9 Mr. Wiens, to an answer that you gave in direct testimony
10 from your counsel Ms. Ramage, which related to the issue
11 of urgency in dealing with the matter prior to the next
12 hearing.

13 And in that answer to direct, you
14 referenced Ms. McCaffrey's statement about the lack of
15 urgency that was made -- where she had made that point at
16 the MIPUG motion. Do you recall that testimony?

17 And if I can help you, you referred to the
18 fact that you were projecting for the fiscal 2008/2009
19 year that there was going to be approximately \$6.6
20 million in revenue collected --

21 MR. ROBIN WIENS: Oh I defin -- I
22 definitely recall what I said, yes.

23 MR. JOHN LANDRY: Okay. Could you
24 perhaps -- to help you a little bit on this, Mr. Wiens,
25 if you could go to Tab 14 of Exhibit 10, MIPUG Exhibit

1 10?

2 MR. ROBIN WIENS: Yes, I have that.

3 MR. JOHN LANDRY: And you'll see that
4 it's a reference from the transcript and more importantly
5 the -- the direct examination that was -- question that
6 was asked by Ms. Ramage and your response in respect to
7 that?

8 MR. ROBIN WIENS: Yes.

9 MR. JOHN LANDRY: Now, first of all, the
10 \$6.6 million that you did deal with in that -- in that
11 answer, sir, you would agree with me that relative to the
12 application that you filed back in 2007, that was
13 significantly less than you had been forecasting at that
14 point in time?

15 MR. ROBIN WIENS: That's correct.

16 MR. JOHN LANDRY: Now, sir, given the
17 importance to which -- it seems that you put that
18 evidence to -- to deal with the urgency question, I'd
19 just like to ask you a few questions about how you came
20 to that -- up to that forecast, that \$6.6 million
21 forecast and how certain it is assuming the rate is
22 approved.

23 So that's just so you know where I'm
24 going, okay?

25 MR. ROBIN WIENS: Fair enough.

1 MR. JOHN LANDRY: Now, I guess as a
2 starting point, you'd agree with me, sir, that no revenue
3 can be collected from this rate until after the hearing
4 that's going to take place presumably some time in the
5 fall.

6 Would that be a fair statement?

7 MR. ROBIN WIENS: The rate has to be
8 approved before any revenue can be collected from it.

9 MR. JOHN LANDRY: And integral to the
10 approval of the rate is at least the exemption criteria
11 which would -- will not be determined at least till the
12 fall.

13 Would that be a fair statement?

14 MR. ROBIN WIENS: I expect that's the
15 case.

16 MR. JOHN LANDRY: Well is it not the
17 case, sir?

18 MR. ROBIN WIENS: I -- I don't want to
19 try and second guess what order that the Board will come
20 up with out of this proceeding. But as I said, I expect
21 that's the case.

22 MR. JOHN LANDRY: I apologize. I'm not
23 asking you to interpret the -- the Board's order but at
24 least in respect to the exemption criteria, you would
25 agree with me that that is a topic which is going to be

1 dealt with in the fall hearing. Fair statement?

2 MR. ROBIN WIENS: It's going to be dealt
3 with in a subsequent hearing.

4 MR. JOHN LANDRY: That's right. And
5 until that exemption criteria is effectively reviewed,
6 relative to your proposal, then no revenue can be
7 collected.

8 Is that a fair statement?

9

10 (BRIEF PAUSE)

11

12 MR. JOHN LANDRY: Now if that -- if
13 that's a legal question and your counsel would like to
14 indicate that as such, I'm fine with that too.

15 MR. ROBIN WIENS: You know, I think
16 that's probably correct, Mr. Landry. Again, I -- I --
17 I'm not sure that I want to try and -- and second guess
18 precisely what directive is going to come out of this
19 Hearing.

20 But I -- I suppose you're very likely
21 correct.

22 MR. JOHN LANDRY: Okay, sir. I didn't
23 think that was a difficult question, but I apologize if
24 it was. Now, sir, as I understand your testimony that
25 you gave in response to Ms. Ramage's question, you're

1 talking about load that you -- that is Manitoba Hydro.

2 When I say 'you', sir, I -- I sometimes
3 use that expression. You'll know I mean Manitoba Hydro.

4 Manitoba Hydro saw a load in the January
5 to March of 2008 time frame that led them to believe that
6 there would be the \$6 million -- \$6.6 million revenue
7 from that class.

8 Is that a fair statement?

9 MR. ROBIN WIENS: That's a fair
10 statement. MR. JOHN LANDRY: And -- and again you
11 used as the baseline for that load that had been I guess
12 utilized by customer or customers up to the December
13 31st, 2007 time frame, correct?

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

15 MR. JOHN LANDRY: And, sir, just as a --
16 as a -- a statement, and you can take it under advisement
17 if you'd like, but as I understand it in reading the
18 record, the only information that's on the record in
19 relation to that \$6.6 million forecast, is your answer to
20 the question by Ms. Ramage and some cross-examination
21 that occurred from Mr. Peters, which, by the way, I've
22 included in Tab 15 of Exhibit 10.

23 MR. ROBIN WIENS: I believe that's
24 correct, yes.

25 MR. JOHN LANDRY: So there's no place in

1 the record where you've done a de -- detailed calculation
2 of that \$6.6 million figure?

3

4

(BRIEF PAUSE)

5

6 MR. ROBIN WIENS: No, I don't believe
7 it's on the record.

8 MR. JOHN LANDRY: Thank you. Now, sir,
9 just as -- so I understand how this all works, or is
10 intended to work, assuming the rate is -- is approved.
11 Can I assume, sir, that what would happen for the
12 specific customer that went over the baseline, that it
13 wouldn't be until that customer went over the baseline,
14 that they would be charged the second-tier rate?

15 In other words, if you're going through a
16 twelve (12) month period, you would go to whatever point
17 in time in that twelve (12) month period where they were
18 under the baseline, and then after they went over the
19 baseline, that's when they would be charged the second-
20 tier rate.

21 Is that a fair statement?

22 MR. ROBIN WIENS: Well, leaving --
23 leaving aside for how it would actually be billed -- in
24 terms of effective, yes. It -- they would have to go
25 over the baseline before they would be charged the -- the

1 second-tier rate, yes.

2 MR. JOHN LANDRY: Okay, well we come back
3 to the issue about billing, I suppose, in a moment. But
4 in a -- in effect, at the end of the day, they would only
5 be charged the second-tier rate once they hit the -- the
6 baseline amount.

7 Is that a fair statement?

8 MR. ROBIN WIENS: Yes.

9 MR. JOHN LANDRY: Now in your discussion
10 in -- with Mr. Peters, you -- he put to you and you
11 agreed with and -- and please, if you disagree with my
12 proposition, please say so, but you agreed that there are
13 three (3) key components to the rate.

14 There's first of all, the establishing of
15 the baseline, the set -- setting of the second-tier rate,
16 and the exemption criteria.

17 Does that a -- is that a fair summary?

18 MR. ROBIN WIENS: Yes.

19 MR. JOHN LANDRY: And all three (3) of
20 those things would have to be determined before Manitoba
21 Hydro could, in effect, set a rate for an industrial
22 customer. Fair statement?

23 MR. ROBIN WIENS: Yes.

24 MR. JOHN LANDRY: Sir, I just want to go
25 through how this all works. So I wonder if you could

1 turn to your discussion paper that you -- that was filed
2 to the -- with the board in approximately the middle of
3 January. And just for your help, it is at page 6, of the
4 MIPUG Exhibit Number 10. Or Tab 6. I apologize.

5 And just for the record, sir, that is the
6 discussion paper that was filed and answered to an IR in
7 January of 2008?

8 MR. ROBIN WIENS: It is the discussion
9 paper.

10 MR. JOHN LANDRY: Are you quibbling with
11 that it was filed in January 2008?

12 MR. ROBIN WIENS: No, I'm not. I -- I --
13 I'm just not recalling exactly whether it was in response
14 to an -- an Information Request or something else.

15 MR. JOHN LANDRY: Okay. We'll -- we'll
16 come back to that, sir. But this is -- this is
17 definitely the discussion paper?

18 MR. ROBIN WIENS: Yes, it is.

19 MR. JOHN LANDRY: Okay. And I'm
20 wondering if you could go to page 2 of that discussion
21 paper first, please? Now this is the -- I -- I assume
22 from this discussion paper, this is the process that
23 Manitoba Hydro is proposing they would utilize to
24 establish the baseline and -- and related matters.

25 Is that a fair statement?

1 MR. ROBIN WIENS: Yes.

2 MR. JOHN LANDRY: Okay. And if you could
3 go to page 2, under Paragraph 2.1, and I'm looking at the
4 second paragraph in that section, and you'll see it says,
5 and -- and I'll quote:

6 "Manitoba Hydro will complete a BECL,
7 which is a baseline spread sheet for
8 each potentially affected customer.
9 The -- The BECL spreadsheet will be
10 reviewed with the customer to ensure
11 accuracy."

12 Do you see that, sir?

13 MR. ROBIN WIENS: Yes.

14 MR. JOHN LANDRY: So that is the
15 intention of Manitoba Hydro?

16 MR. ROBIN WIENS: Yes.

17 MR. JOHN LANDRY: And, sir, I guess what
18 I'm wanting to know, to go back to our \$6.6 million
19 figure is, in relation to the increased load that you saw
20 in -- mainly in March, as I -- if I understand the -- the
21 information, would it be fair to say, sir, that you
22 didn't have a discussion with the customer to determine
23 whether or not they agreed with the baseline that you
24 were starting with?

25 MR. ROBIN WIENS: That would be fair.

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(BRIEF PAUSE)

MR. JOHN LANDRY: Manitoba Hydro simply concluded that the load that they were seeing, primarily in March, was the load that would attract, ultimately over a twelve (12) month period, the new rate?

MR. ROBIN WIENS: We're annualized over a twelve (12) month period. That is what we believe, yes.

MR. JOHN LANDRY: Okay, but, sir, would you agree, relative to your proposal before you could come to that conclusion, you would have to know the reason as to why the increased load occurred during that timeframe primarily in March?

MR. ROBIN WIENS: Yes, ultimately you would have to understand it in the full context of a baseline.

MR. JOHN LANDRY: Yeah, and to be accurate, and what I mean by that is to be reasonable in your forecast, you'd have to be satisfied that the load as existed in those three (3) months, primarily actually in March, would continue for a full twelve (12) months -- that it wasn't just a blip?

MR. ROBIN WIENS: Yes. If you were actually going to apply the rate, you would have to be

1 satisfied with that.

2 MR. JOHN LANDRY: Well, if you're going
3 to forecast what the rate's going to do, you'd have to be
4 pretty well satisfied with that, too, would you not?

5 MR. ROBIN WIENS: If you were going to be
6 absolutely certain, yes.

7 MR. JOHN LANDRY: If you were going to be
8 reasonable in your forecast, sir, would you agree with
9 that?

10 MR. ROBIN WIENS: Well, the only way
11 you're going to have certainty is if you actually have a
12 full year of information and as well you have a baseline
13 established. My intent was not to say that this was
14 definitely going to materialize. My intent at that point
15 was to say that there may be a greater degree of urgency
16 than had been previously thought.

17 MR. JOHN LANDRY: Well, sir, first of all
18 the \$6.6 million was less than what you forecast in
19 August of -- of '07 when you filed your application,
20 correct?

21 MR. ROBIN WIENS: Yes, it was.

22 MR. JOHN LANDRY: Okay. And you're
23 saying that there may be a degree of urgency so you've --
24 it's a reduction in the amount of revenue you were
25 forecasting but you're still trying to suggest there's

1 some sort of urgency there?

2 MR. ROBIN WIENS: Well, there was an
3 intervening event at which point it was stated that there
4 was no urgency because nothing was going to materialize
5 in the 2008/2009 fiscal year.

6 MR. JOHN LANDRY: But, sir, let me just
7 be -- be very careful on this one. But, sir, you did not
8 contact the customer or customers -- we don't want to get
9 into confidential information -- to determine whether or
10 not the load which primarily occurred in March was in
11 fact a blip, did you?

12 MR. ROBIN WIENS: No, we didn't.

13 MR. JOHN LANDRY: You didn't contact the
14 customer or customers again avoiding the -- the
15 confidentiality issue. You didn't talk to the customers
16 to determine whether or not that load would actually be
17 seen over the twelve (12) month timeframe, did you?

18 MR. ROBIN WIENS: No, we didn't.

19

20 (BRIEF PAUSE)

21

22 THE CHAIRPERSON: Just stop for two (2)
23 minutes to give them a chance to confer.

24

25 (BRIEF PAUSE)

1 THE CHAIRPERSON: Okay, Mr. Landry.

2

3 CONTINUED BY MR. JOHN LANDRY:

4 MR. JOHN LANDRY: Sir, the other question
5 I have about this is --

6 MS. PATTI RAMAGE: Excuse me, I think Mr.
7 Wiens wanted to clarify his last answer --

8 MR. JOHN LANDRY: Well --

9 MS. PATTI RAMAGE: -- before we go on.

10

11 CONTINUED BY MR. JOHN LANDRY:

12 MR. JOHN LANDRY: Did the person that you
13 conferred with have a different view of the situation
14 than you did?

15 MR. ROBIN WIENS: Well, the person that I
16 conferred with advised me that -- I have not myself been
17 in contact with the customer but that -- our staff at
18 Manitoba Hydro have been in contact with the customer,
19 that the customer was commissioning a new process, and
20 that once the commissioning process was completed that
21 that would be the new level of load. And I am --

22 MR. JOHN LANDRY: And, sir --

23 MR. ROBIN WIENS: -- I am taking it that
24 the load increased in a gradual way from the end of
25 December of 2007 until about the end of February of 2008,

1 and at that point it was fairly steady. So I am assuming
2 that that was the completion of the commissioning of the
3 -- of the new load.

4 I -- admittedly I -- I may not have had
5 all the nuances or the details, and maybe it's not an
6 absolute certainty that that's the new load level that's
7 been established, but that's what the discussions or the
8 information that our staff had was.

9 MR. JOHN LANDRY: And, sir, just -- just
10 so we're clear for the record because you were the one
11 that testified in response to a direct testimony of your
12 -- of your counsel. That is the first time that you've
13 heard that information?

14

15 (BRIEF PAUSE)

16

17 MR. JOHN LANDRY: Well, I -- Mr. Chair, I
18 mean, there is confer and conferring and then there's
19 conferring, and I guess that was a pretty direct
20 question. I don't think there needed any more
21 conferring, Mr. Chair?

22 THE CHAIRPERSON: Mr. Wiens?

23 MR. ROBIN WIENS: Well, I -- I was
24 generally aware from my discussions with my colleagues
25 that that load was increasing over that time period and

1 that there was some commissioning involved.

2 MR. JOHN LANDRY: Sir, you did not --
3 there's nothing in the record, first of all besides what
4 you just said, that confirms that. Let's -- let's start
5 there. Correct?

6 MR. ROBIN WIENS: There's nothing in the
7 record that confirms I was aware of what was going on,
8 but I certainly was aware that this was happening.

9 MR. JOHN LANDRY: You -- you knew --

10 MR. ROBIN WIENS: Prior to the time that
11 --

12 MR. JOHN LANDRY: -- excuse me.

13 MR. ROBIN WIENS: -- we put that in
14 evidence.

15 MR. JOHN LANDRY: You knew that the load
16 had increased from January through to March. That's what
17 you knew?

18 MR. ROBIN WIENS: Yes, and I was advised
19 during that period that -- that a new process was being
20 commissioned.

21 MR. JOHN LANDRY: Sir, but, sir that --
22 that -- that's different than what you said before you
23 conferred with your colleague. Is it not or am I missing
24 something?

25 MR. ROBIN WIENS: I don't -- it -- it may

1 be different, but I don't believe that it's incompatible.
2 Mr. Landry, I was aware that new facilities were being
3 commissioned.

4 MR. JOHN LANDRY: Sir, let me -- let me -
5 - go to another point, because we can all agree to
6 disagree in terms of what -- what you actually testified
7 to.

8 Another thing that you would have had to
9 look at, in relation to this so-called increase load that
10 Manitoba Hydro saw, in order for you to forecast that you
11 were going to \$6.6 million revenue from this rate is that
12 you would have had to ensure that the exemption criteria
13 was not met, correct?

14 MR. ROBIN WIENS: That is correct.

15 MR. JOHN LANDRY: And you didn't do that,
16 did you?

17 MR. ROBIN WIENS: Well, there's no way I
18 could have done that.

19 MR. JOHN LANDRY: Because you wouldn't
20 have had the information before you to determine that.
21 Fair statement?

22

23

(BRIEF PAUSE)

24

25

MR. ROBIN WIENS: Without wanting to get

1 into -- into any details related to the specific
2 customer, we would have done a spreadsheet that would
3 have looked at -- would have assumed that the criteria as
4 applied for would have been approved, and we would have
5 made that forecast on that basis.

6 MR. JOHN LANDRY: So just to be clear,
7 because I probably wasn't clear in my question, I'm glad
8 for that clarification, Mr. Wiens.

9 You would have looked -- presumably you
10 would have had to looked at the criteria that you were
11 asking be approved by this commission -- this Board,
12 correct?

13 MR. ROBIN WIENS: Yes.

14 MR. JOHN LANDRY: And you would have had
15 to determine that that customer or customers would not
16 have met that exemption criteria.

17 MR. ROBIN WIENS: That's correct.

18 MR. JOHN LANDRY: And -- and with
19 exemption criteria like this, whether we're talking the
20 one (1), the two (2), or the three (3) item that we -- we
21 -- you went through with Mr. Peters, you'd have to know
22 some detailed information about the customer before you
23 came to that conclusion. Fair statement?

24 MR. ROBIN WIENS: Yes, you would have to
25 -- you would have to know the details in terms of their

1 employment and -- and other spending, yes.

2 MR. JOHN LANDRY: What benefit -- what
3 so-called benefits -- economic benefits they were
4 bringing to the province as a result of this so-called
5 increase load, correct?

6 MR. ROBIN WIENS: That's correct.

7

8 (BRIEF PAUSE)

9

10 MR. JOHN LANDRY: Sir, I want to -- I
11 want to sort of switch topics a little bit on this.

12 Given the concerns that Manitoba raised in
13 the Cost of Service hearing and also the issues that were
14 raised by the Board in Board Order 117 slash '06, and
15 given the impact that it may have on existing customers
16 and any new industrials coming into Manitoba, I'm sure
17 you'd agree with me that the new rate is an extremely
18 important rate for the future of Manitoba?

19 Is that a fair statement?

20 MS. PATTI RAMAGE: I'm concerned about
21 the question. Are you asking Mr. Wiens' personal opinion
22 or I -- I --

23 MR. JOHN LANDRY: No, I'm not.

24 MS. PATTI RAMAGE: I'm concerned how --
25 where that question goes to.

1 MR. JOHN LANDRY: Well, does Manitoba
2 Hydro consider this rate, this proposal that they're
3 putting forward to this Board to be important relative to
4 the future of Manitoba?

5

6 (BRIEF PAUSE)

7

8 MR. VINCE WARDEN: We -- we certainly
9 consider the rate to be important to Manitoba Hydro. Is
10 it important to the future of Manitoba? It seems quite
11 grandiose, but it's important.

12 MR. JOHN LANDRY: Okay. Well, we'll come
13 back to the future of Manitoba in a second, Mr. Warden.

14 So it is important for Manitoba Hydro.
15 Let's at least start there?

16 MR. ROBIN WIENS: Yes.

17 MR. JOHN LANDRY: And so in the context
18 of -- of what you're attempting to do here, sir, would
19 you agree that it's important that the Board, as it's
20 looking at this thing, get it right?

21 MR. ROBIN WIENS: Yes.

22 MR. JOHN LANDRY: And you wouldn't want
23 to do anything would you, sir -- Manitoba Hydro wouldn't
24 want to do anything that might impede the potential
25 economic growth in Manitoba?

1 Would that be a fair statement?

2 MR. VINCE WARDEN: Absolutely.

3 MR. JOHN LANDRY: Okay. And, Mr. Wiens,
4 would you agree, and presumably you will but let's just
5 state it for the record that for this rate to be approved
6 by the Board, it must be just and reasonable in the
7 circumstances and not unduly discriminatory?

8 MR. ROBIN WIENS: Yes.

9 MR. JOHN LANDRY: Now, given the
10 importance of this rate to Manitoba Hydro at least, as a
11 proponent would you agree with me that you would want to
12 make sure that -- that it had put before this Board in
13 its application all of the necessary information to allow
14 the Board to undertake a full and considered review of
15 the proposal?

16 MR. ROBIN WIENS: Yes.

17 MR. JOHN LANDRY: So is it Manitoba
18 Hydro's position that when they filed its original
19 application that the information it presented to the
20 Board was all -- and I emphasize that word -- all of the
21 information that the Board needed to undertake a
22 considered review of the proposal?

23

24 (BRIEF PAUSE)

25

1 MR. ROBIN WIENS: Was there enough
2 information in the application for the Board to make a
3 determination based on what was in the application?

4 MR. JOHN LANDRY: Did Manitoba Hydro,
5 when it filed its application before the Board, consider
6 that it had put all the necessary and relevant
7 information that was necessary for the Board to make a
8 determination on this proposal?

9

10 (BRIEF PAUSE)

11

12 MR. ROBIN WIENS: We knew that there
13 would be additional information that would have to be
14 filed and it was filed subsequently.

15 MR. JOHN LANDRY: And what was that
16 additional information?

17 MR. ROBIN WIENS: We filed responses to
18 any number of Information Requests on the application,
19 and we filed -- we filed material pursuant to the motion
20 that MIPUG brought, and we filed material related to the
21 exemption clause subsequent to the filing of the
22 application.

23 MR. JOHN LANDRY: But, sir, with -- and --
24 -- and I don't want to quibble too -- too much in this
25 but, sir, when -- when -- if you -- when you filed your

1 application, you could not have anticipated that you were
2 going to be asked all of the questions that you filed
3 this, whatever information you're referring to.

4 My question is, I thought, fairly simple.
5 When you filed your application to this Board for this
6 important new rate, did you consider that the Board had
7 before it all of the relevant information it would need
8 to do a considered review of the proposal? If the answer
9 is no, fine.

10 MR. VINCE WARDEN: Mr. Landry, whenever
11 we file an application, we appreciate that -- that's the
12 reason for the hearing process so that there can be full
13 disclosure of all the details that surround that
14 application.

15 That's what we're doing now. So we have,
16 before this Board, presented further details with respect
17 to our proposal, and we'll -- we will continue to do that
18 as determined necessary by this Board.

19 MR. JOHN LANDRY: I appreciate that
20 response, Mr. Warden. My question to you is very simple
21 though. When you filed your application, did you feel
22 you had before the Board all that was necessary for it to
23 make a considered decision?

24 MS. PATTI RAMAGE: Mr. Landry, I think we
25 have the answer to that question. I think Mr. Wiens has

1 already answered it. I do not understand what more you
2 are expecting to hear from Mr. Wiens.

3 He's told you the items that he knew were
4 still to be filed.

5 MR. JOHN LANDRY: Well --

6 MS. PATTI RAMAGE: It's self evident what
7 the answer is.

8 MR. JOHN LANDRY: I think -- I think the
9 answer to the question is self evident, but I'll move on.

10 MR. ROBERT MAYER: Mr. Landry, I think
11 the Board has your point.

12 MR. JOHN LANDRY: Thank you, sir, I -- I
13 thought you did.

14

15 CONTINUED BY MR. JOHN LANDRY:

16 MR. JOHN LANDRY: I want to talk about a
17 few things that -- at least from my perspective having
18 gone through this process before in a couple of other
19 jurisdictions that maybe weren't on the record when you
20 filed your application.

21 Sir, and I think this goes without saying,
22 and I'm not trying to make a big point of -- of the
23 thing. But when you filed your application, first of
24 all, one of the key components of the rate was not there,
25 i.e., the exemption criteria, correct?

1 You were -- you said in your application
2 you were going to have further consultations with the
3 affected industries, correct?

4 MR. ROBIN WIENS: That's correct.

5 MR. JOHN LANDRY: In fact that
6 information, the actual exemption criteria that you
7 filed, wasn't filed until December 17th, correct?
8 Subject to check, sir.

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

10 MR. JOHN LANDRY: And -- and prior to
11 December 7th -- sorry, excuse me, prior to December 2007
12 when you filed the criteria, there was no analysis that
13 I'm aware of, on the record, of the various proposals
14 that could have been utilized for exemption criteria.

15 Is that a fair statement?

16 MS. PATTI RAMAGE: I think you're going
17 to have to clarify and tell us what various analysis
18 you're referring to.

19

20 CONTINUED BY MR. JOHN LANDRY:

21 MR. JOHN LANDRY: Had -- had you done
22 analysis in the type of exemption criteria that you might
23 want to propose to the Board?

24 And did that analysis show up on the
25 record, Mr. Wiens?

1 (BRIEF PAUSE)

2

3

MR. ROBIN WIENS: If you're referring to
4 the application, Mr. Landry, no, there was nothing in the
5 application about the exemption criteria or any
6 discussion of what exemption criteria might apply.

7

If you're referring to the record to date
8 in the proceeding, there is -- there's a fair amount on --
9 -- I'll refer to the affidavit that we submitted regarding
10 the consultation process to the motion hearing on January
11 the 28th. And there's a fair amount of discussion in
12 there.

13

MR. JOHN LANDRY: Sir, I guess what I --
14 where I was going from, and I apologize if my question
15 wasn't clear, I was talking about the record as they
16 existed in December 2007. Not what was filed subsequent
17 to that.

18

MR. ROBIN WIENS: Fair enough. And the
19 answer to your question is, no, there was no discussion
20 of the exemption criteria on the record.

21

MR. JOHN LANDRY: And you realize, sir,
22 that I'm -- I'm -- I'm asking a number of these questions
23 in the context of what should be decided at this Hearing
24 versus what should be decided at the subsequent hearing.

25

You understand what I'm -- what I'm

1 saying?

2 MR. ROBIN WIENS: Yes, I think so.

3 MR. JOHN LANDRY: Okay. And sir, in fact
4 the only discussion up till the motion by MIPUG, the only
5 discussion that I've seen on the analysis that was done,
6 the economic analysis and the reason for it in relation
7 to the exemption criteria, was in fact filed in response
8 to a MIPUG -- are -- in January of 2008.

9 Now you can check with your colleagues on
10 that but that's my understanding. Is that yours? The
11 so-called discussion paper which --

12 MR. ROBIN WIENS: I -- I believe that's
13 correct.

14 MR. JOHN LANDRY: And -- and the paper
15 that we're referring to just so the record is clear, is
16 the paper at Tab 6 of MIPUG Exhibit Number 10?

17 MR. ROBIN WIENS: Yes, it is.

18 MR. JOHN LANDRY: And sir, that -- that
19 analysis that was done, Manitoba Hydro didn't
20 unilaterally put that on the record, it was put on the
21 record as a result of a MIPUG request for it, correct?

22

23 (BRIEF PAUSE)

24

25 MS. PATTI RAMAGE: To what extent this is

1 important, we will check the record, sir, to determine
2 how it went in, but I -- my recollection is it was not by
3 IR. But it certainly is on the record. We're checking
4 the file to see --

5 MR. JOHN LANDRY: Ms. Ramage, I'm not
6 trying to trick anybody here. It's my understanding,
7 just while you're checking, that that's how it got on the
8 record and I'd just appreciate an acknowledgement at some
9 point in time that that was the case.

10 MR. PATTI RAMAGE: Yeah, that's fine,
11 we're just checking. You can continue, because there's
12 no question it's on the record.

13 MR. JOHN LANDRY: I would simply like
14 clarification as to when it went on the record, and as a
15 result of -- whether or not it was as a result of an
16 information request by MIPUG as opposed to Manitoba Hydro
17 independently putting it on the record.

18 MS. PATTI RAMAGE: And that's what we're
19 checking, sir.

20 MR. JOHN LANDRY: Thank you. Mr.
21 Chairman, I'm going to another sort of spot, which will
22 take me probably ten (10) or fifteen (15) minutes and I -
23 - this would probably be a good time to break.

24 THE CHAIRPERSON: Very good, sir. Let's
25 come back at 1:15.

1

2 --- Upon recessing at 11:57 p.m.

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

4

5 THE CHAIRPERSON: Okay, Mr. Landry...?

6

7 CONTINUED BY MR. JOHN LANDRY:

8 MR. JOHN LANDRY: Thank you Mr. Chair.

9 Now I'd like to, again, going along the theme of
10 determining what information was -- was or is available
11 on the record, for the Board to have a considered view of
12 your proposal, and in that light, I wanted to talk a
13 little about government consultation, Mr. Wiens.

14 As I understand, and I -- and I do
15 understand that a couple of letters are going to be put
16 on the record between counsel, but you'll recall one (1)
17 letter that was discussed earlier, back November of 2006,
18 where the Government had said to the MIPUG membership
19 that they did not intend to become directly involved in
20 the consultation process.

21 Do you remember that?

22 MR. ROBIN WIENS: I -- I recall something
23 to that effect, yes.

24 MR. JOHN LANDRY: And -- and in the end,
25 the Government didn't get involved in the various

1 consultations that have been documented before this
2 board. A fair statement?

3 MR. ROBIN WIENS: That's fair.

4 MR. JOHN LANDRY: Now, I just want to
5 bring us all back to where we sort of started on this
6 point, which is the Board Order 117/'06. And if you
7 could just refer quickly to MIPUG, Exhibit Number 10, Mr.
8 Wiens, please. Tab 1.

9 I have put in there, an extract which
10 relates to the energy intensive industry issues.

11 MR. ROBIN WIENS: Could you give me the
12 tab number again?

13 MR. JOHN LANDRY: Tab -- Tab 1.

14 MR. ROBIN WIENS: Thank you.

15 MR. JOHN LANDRY: And, sir, it's on page,
16 the second page of the extract. And if you want to refer
17 to the full document, I'm sure we can get a copy of it,
18 but I don't think that it's necessary.

19 But if you go to the second page, the --
20 and - and I'll -- I'll read from the second page, and
21 it's the second to last paragraph.

22 Do you see where it starts, "Considerable
23 discussion"?

24 MR. ROBIN WIENS: Yes, I do.

25 MR. JOHN LANDRY: And the third -- fourth

1 line, sorry, fourth line, where it's starts,

2 "The board is not comfortable," do you see that?

3 MR. ROBIN WIENS: I see it.

4 MR. JOHN LANDRY: Yeah. And I'll -- and

5 I'll read it slowly for the court reporter:

6 "The board is not comfortable with the
7 tempting to delineate what level of
8 employment, time of use, or other
9 factor, would outweigh considerations
10 relating to high on-peak energy demand,
11 at less than marginal pricing.
12 Accordingly, the board expects Manitoba
13 Hydro will consult broadly, and in
14 particular, with government and
15 industry, prior to advancing a
16 proposal."

17 Do you see that, sir?

18 MR. ROBIN WIENS: Yes, I do.

19 MR. JOHN LANDRY: Now, sir, keeping in
20 mind the need for this Board to have a considered view of
21 your proposal, including the desire that's indicated in
22 Board Order 11/'06, and the need to consult with
23 government, would you agree with me, at least to this
24 point, sir, that there's nothing on the record that
25 actually documents the consultations that Manitoba Hydro

1 says that it did have with government?

2 MR. ROBIN WIENS: Yes.

3 MR. JOHN LANDRY: So there's nothing on
4 the record, what tells the Board what Manitoba Hydro said
5 to government, what presentations were made to
6 government, and what proposals were made to the
7 Government -- what various proposals? Fair statement?

8 MR. ROBIN WIENS: There's nothing on the
9 record.

10 MR. JOHN LANDRY: And of course, there's
11 nothing on that record that documents what's -- documents
12 what responses Manitoba Hydro received from government.
13 A Fair statement?

14 MR. ROBIN WIENS: Yes.

15 MR. ROBERT MAYER: Excuse me, Mr. Wiens.
16 There's something on the record in that regard, and I
17 forget who was being examined by Mr. Peters, but there
18 was some indication that the Government was not going to
19 interfere or was in agreement with what Hydro was doing.

20 MS. PATTI RAMAGE: I think, Mr. Mayer,
21 you're referring to the letters that -- that MIPUG will
22 be filing and I -- I think the record shows that Mr.
23 Warden had said was that the Government was in agreement
24 with Manitoba Hydro's direction.

25

1 CONTINUED BY MR. JOHN LANDRY:

2 MR. JOHN LANDRY: Now, Mr. Wiens, I'm not
3 -- I'm not trying to -- trying to push too hard on this.
4 I mean, the Government's decision is the Government's
5 decision. I'm looking at it from the perspective of what
6 a Board -- a quasi-judicial board like this Board needs
7 to have before it to come to a considered view of the
8 situation.

9 So, take these question -- questions in
10 that -- in that spirit. And I know you don't speak for
11 government, okay.

12 But, sir, would you agree with me that
13 since you're asking the Board to properly consider your
14 proposal, that it would have been better for all
15 concerned if there was in-depth consultation with the
16 Government and that those consultations were documented
17 for the Board and all stakeholders to review?

18 Would you agree with that?

19 MR. VINCE WARDEN: I wouldn't necessarily
20 agree with that, Mr. Landry. The directive to Manitoba
21 Hydro was that we should engage in those consultations
22 which Manitoba Hydro did do at the senior level. And if
23 the Board isn't satisfied with the fact that we've
24 informed this Board that those consultations have taken
25 place, then I guess they can further direct.

1 MR. JOHN LANDRY: I -- I guess what I'm
2 asking you, sir -- and again please take it in the spirit
3 in which I'm intending. I'm not trying to be too hard on
4 you on what the government has decided to do.

5 But given that you're asking this Board to
6 have a considered view of your proposal, my question is:
7 Do you not think it would have been helpful to the Board
8 for the Board to have before it documented what the
9 consultations were; what was said to government and what
10 government said in response?

11 MR. VINCE WARDEN: I can only repeat what
12 I previously stated, Mr. Landry, and that is that those
13 consultations did take place and government supports the
14 direction Manitoba Hydro is taking.

15 MR. JOHN LANDRY: Okay, sir. And -- and
16 the reason I -- I wanted to -- to go that route is -- is
17 because it leads up to another question I have which is
18 this: The approach to government involvement in this
19 case, in the Mani -- in the Manitoba Hydro's proposal, is
20 quite different than what happened in other
21 jurisdictions, would you agree with that, in terms of
22 government involvement?

23 MR. VINCE WARDEN: I -- I can't agree or
24 disagree with that statement. I -- I don't know.

25 MR. JOHN LANDRY: Well -- well, sir, you

1 know that in other jurisdictions that -- and I -- I guess
2 most specifically the two (2) that I'm familiar with are
3 British Columbia and Quebec, they're dealing with -- with
4 similar issues and what I mean by similar issues in -- in
5 the sense that they have an embedded cost that is
6 significantly different than marginal costs.

7 You're aware of that?

8 MR. VINCE WARDEN: Yes, yeah.

9 MR. JOHN LANDRY: And at least in the
10 case of British Columbia and -- and Quebec they do --
11 they have gone through various processes to come to what
12 at least in their provinces they believe to be the
13 correct solution to the problems of --

14 MR. VINCE WARDEN: I -- I --

15 MR. JOHN LANDRY: -- growing --

16 MR. VINCE WARDEN: -- would expect they
17 would, yes.

18 MR. JOHN LANDRY: Well, you know that
19 don't you, sir?

20 MR. VINCE WARDEN: Well, I'm aware of
21 some of those proceedings, yes.

22 MR. JOHN LANDRY: Okay. And would you
23 agree within the proceedings that you're aware of, that
24 there was considerable government involvement in both
25 Quebec and -- and British Columbia before the -- before

1 the ultimate solution was found?

2 MR. VINCE WARDEN: I would say probably
3 more so in Quebec than in British Columbia but, you know,
4 that's from -- from my perspective only.

5 MR. JOHN LANDRY: Sir, are you aware what
6 happened in British Columbia?

7 MR. VINCE WARDEN: Just at a fairly high
8 level so I'm not aware of the details that took place in
9 -- in British Columbia.

10 MR. JOHN LANDRY: Are you aware that the
11 Government of British Columbia put forward an energy
12 policy and then requested specifically that energy policy
13 in relation to Heritage re -- rates be reviewed by the BC
14 Utilities Commission?

15 Are you aware of that?

16 MR. VINCE WARDEN: I think this panel is
17 aware of that at a high level, Mr. Landry, yes.

18 MR. JOHN LANDRY: And are you aware that
19 a report was made by the BCU Utilities Commission after -
20 - after extens -- after extensive consultation and
21 hearings with stakeholders and reported back to the
22 government?

23 Are you aware of that? That's all I'm
24 asking. Are you aware of that?

25 MR. VINCE WARDEN: Yes, and I don't know

1 to -- the extent to which the government was involved in
2 those extensive con -- consultations.

3 MR. JOHN LANDRY: I wonder, just for the
4 record since we're there now if, Mr. Wiens, you could
5 look at Tab 20 of MIPUG Exhibit Number 10, please.

6 MR. ROBIN WIENS: Yes.

7 MR. JOHN LANDRY: And this is an attempt
8 by my colleagues to effectively put in graph form the
9 difference between the average industrial rates and the
10 marginal cost generation and the -- and Manitoba, BC,
11 Newfoundland and Labrador and Hydro.

12 Do you see that?

13 MR. ROBIN WIENS: That's what it appears
14 to be.

15 MR. JOHN LANDRY: Yeah. And obviously, I
16 know we gave you a copy of this -- or Manitoba Hydro
17 earlier this morning and you probably haven't had a
18 chance to -- to reflect on it, but do these numbers
19 appear -- appear close to accurate from your perspective?

20 MR. ROBIN WIENS: I can't verify them.

21 MR. JOHN LANDRY: You are aware as -- as
22 your colleague Mr. Warden is aware, that these other
23 jurisdictions have a similar problem in the sense that
24 they have a high marginal cost when compared to embedded
25 cost rates and they're concerned about new load?

1 MR. ROBIN WIENS: Well I knew that with
2 respect to British Columbia Hydro and Hydro Quebec. I
3 was not familiar with the situation in Newfoundland.

4 MR. JOHN LANDRY: It doesn't surprise you
5 though given the amount -- the extensive amount of hydro
6 assets that they have in their system?

7 MR. ROBIN WIENS: Well it doesn't
8 surprise me really with just about anybody. Whether it's
9 a hydro-based utility or otherwise, admittedly the -- the
10 hydro assets are longer lived than most, and they may be
11 of a -- of an older vintage.

12 So it may be more pronounced, and I
13 believe it is more pronounced in the case of hydro
14 utilities. But, no, the fact that there's a difference
15 doesn't surprise me.

16 MR. JOHN LANDRY: It wouldn't surprise
17 you that most jurisdictions in Canada and perhaps even in
18 the United States are facing a similar circumstance,
19 correct?

20 MR. ROBIN WIENS: Well we've seen what's
21 happened to commodity prices in the last couple of years.
22 So, you know, again I'm not familiar in detail, but
23 looking at today's commodity prices as compared to what
24 existed two (2) or three (3) years ago, that's -- as I
25 say I wouldn't be surprised.

1 I can't comment in most cases on -- a
2 particular difference such as you're trying to depict
3 here because I haven't had a chance to verify that
4 particular information.

5 MR. JOHN LANDRY: But the type of numbers
6 we're talking about here, ignoring Newfoundland, Labrador
7 that you're not familiar with, at least directionally
8 that they're -- they're not surprising to you?

9 MR. ROBIN WIENS: Well directionally
10 they're not surprising to me. But I haven't seen -- I
11 haven't seen seven point three six (7.36) cents a
12 kilowatt hour for example in the case of BC Hydro.

13 The numbers that I'm familiar with are
14 somewhat lower than that but certainly higher than their
15 embedded cost.

16 MR. JOHN LANDRY: Is it something that
17 you could quickly check in the references that we have
18 here to confirm that that is the new Tier 2 rate on the
19 industrial rate in British Columbia?

20 MR. ROBIN WIENS: If it's the new Tier 2
21 rate, certainly we can check that.

22 MR. JOHN LANDRY: Okay. Could you take
23 that as an undertaking?

24 MR. ROBIN WIENS: Yeah, if -- you know,
25 if -- if it's -- if it's -- the information that hasn't

1 found its way into rates yet, that may take a longer time
2 to -- to check.

3

4 --- UNDERTAKING NO. 85: Manitoba Hydro to indicate to
5 MIPUG if seven point three
6 six (7.36) cents a kilowatt
7 hour is the new Tier 2 rate
8 on the industrial rate in
9 British Columbia

10

11 CONTINUED BY MR. JOHN LANDRY:

12 MR. JOHN LANDRY: Just so you know, Mr.
13 Wiens, and again I'm not trying to make you uncomfortable
14 in trying to answer some of these questions, but the
15 references are on the second page of that document in --
16 in the back. Take a look there.

17

18 (BRIEF PAUSE)

19

20 MR. JOHN LANDRY: It's my understanding -
21 - it's my understanding for -- for -- because you want to
22 check it, it's my understanding that the seven point
23 three six (7.36) rate for British Columbia is effectively
24 the new Tier 2 rate and their industrial rate.

25

MR. ROBIN WIENS: I can see that now, Mr.

1 Landry. But as you said, I've had only a little time to
2 -- to digest this information.

3 MR. JOHN LANDRY: And I do appreciate
4 that. Now -- so I guess, Mr. Wiens, you would be
5 familiar with -- with the processes that did go on in
6 British Columbia, at least generally and in Quebec where
7 they were dealing with fundamentally similar issues to
8 the type of issues you're dealing with in terms of load
9 growth and the difference between embedded cost and
10 marginal cost.

11 MR. ROBIN WIENS: Well, you know, if you
12 -- if you ask me to go through the chronology, I probably
13 would not be able to.

14 If you ask me am I aware that some work
15 was undertaken both on the part of the Utilities Board
16 and the Government in those particular jurisdictions, I
17 would agree with that.

18 MR. JOHN LANDRY: And to deal with the
19 type of issues that we're -- we're trying to struggle
20 with here today?

21 MR. ROBIN WIENS: Yes.

22 MR. JOHN LANDRY: Now, accepting for the
23 moment, sir, that it's obvious in any jurisdiction that
24 one should come up with a made in that jurisdiction
25 solution and in this case made in Manitoba solution.

1 But I guess what I'm surprised about is
2 that notwithstanding this wealth of information and --
3 and knowledge that exists out there, especially in the
4 British Columbia and Quebec situation, that Mani --
5 Manitoba Hydro chose not to put before this Board a
6 comprehensive review of what occurred in each
7 jurisdiction.

8 Could you comment on that?

9

10 (BRIEF PAUSE)

11

12 MR. ROBIN WIENS: Well I'm not sure in
13 the first instance that we were trying to achieve
14 precisely the same thing that those other jurisdictions
15 were engaged in. Agreed that they are attempting to deal
16 with the same problem or substantially the same issues,
17 but they're not necessarily trying to deal with -- well,
18 they are looking at the problems of expanding load,
19 there's no question.

20 But our -- our concern principally was
21 that the load was growing so -- or appeared to be growing
22 so rapidly in Manitoba with the prospect of continuing
23 that we needed to deal with something, and in a
24 relatively short timeframe. Could we have done a better
25 job and presented more information? I -- I would say you

1 -- you can always present more information.

2 MR. JOHN LANDRY: But sir, do you not
3 think it would have been important and informative to
4 this Board that you're asking to effectively approve this
5 proposal, and also to the Intervenors, that -- the -- the
6 various customer groups that you're dealing with on a --
7 on a day-to-day basis for you to have talked to your
8 colleagues in -- in Quebec and British Columbia and
9 present to the Board and the Intervenors, what occurred
10 in those jurisdictions, what solutions they came up with
11 and why, and why they chose the way they decided to go,
12 as opposed to the way Manitoba's deciding to go?

13 Do you not think that would have been
14 helpful?

15 MR. ROBIN WIENS: Well -- well, as I
16 stated Mr. Landry, having more information is -- is going
17 to be helpful.

18 MR. JOHN LANDRY: Sir, would it surprise
19 you that -- if I told you that when BC was struggling
20 through this -- the type of issues that we're talking
21 about that they had lengthy debates about what had
22 occurred in British Columbia and whether or not it would
23 fit in British Columbia?

24 Would that surprise you?

25 MR. ROBIN WIENS: They had lengthy

1 debates --

2 MR. JOHN LANDRY: About what occurred in
3 Quebec -- sorry, what occurred in Quebec, and whether the
4 Quebec model would fit in British Columbia.

5 MR. ROBIN WIENS: I'm not aware of that
6 but it -- no, it wouldn't surprise me.

7 MR. JOHN LANDRY: Sir, would you at least
8 agree with me that in each of the other jurisdictions
9 that we've been talking about, Quebec and British
10 Columbia, to your knowledge, that this issue and
11 including the issue you're struggling with in this
12 proposal, was done only after receiving policy direction
13 from government?

14 Would you agree with that?

15 MR. ROBIN WIENS: I believe that to have
16 been the case, yes.

17 MR. JOHN LANDRY: Sir, the only other
18 reference to other jurisdictions and how they're dealing
19 with this -- this issue you and I have been talking
20 about, in terms of marginal costs being significantly
21 higher than imbedded costs, the only other reference in
22 the material that I could find -- and please correct me
23 if I'm wrong -- points to Bonneyville Power in
24 Washington.

25 Is that the only other jurisdiction that

1 you recall referencing in dealing with this issue?

2 MR. ROBIN WIENS: Yes.

3 MR. JOHN LANDRY: And sir, as I
4 understand it there, you're saying that Bonneyville Power
5 is in the process of considering marginal cost rates for
6 its industrial?

7 MR. ROBIN WIENS: For new loads, yes.

8 MR. JOHN LANDRY: Okay. Now sir, would
9 you agree with me that in -- in the case of Bonneyville
10 Power, they're in a very different situation than exists
11 in Manitoba, in that they don't have the same obligation
12 to serve industrials that Manitoba Hydro does?

13

14 (BRIEF PAUSE)

15

16 MR. ROBIN WIENS: I wasn't aware of
17 that, Mr. Landry.

18 MR. JOHN LANDRY: Are you aware of the
19 fact that industrials in -- in the area that Bonneyville
20 Power serves have the capability to go to the market to
21 get their needs? In other words, they do not have to buy
22 from Bonneyville Power.

23 Were you aware of that?

24 MR. ROBIN WIENS: Yes.

25 MR. JOHN LANDRY: So in that respect it's

1 different than Manitoba at least, to your knowledge?

2 MR. ROBIN WIENS: Yes.

3 MR. JOHN LANDRY: Sir, I -- I'm going to
4 change topics a little bit. And what I'd like to do is
5 ask you a few questions -- just so you know where I'm
6 going -- ask you a few questions about the difference in
7 the information that is available to -- to this Board and
8 to the Intervenors to test the appropriateness of the
9 imbedded cost rates and the marginal cost rates that
10 you're proposing in this application, just so you
11 understand where I'm going, okay?

12 MR. ROBIN WIENS: All right.

13 MR. JOHN LANDRY: Now, we'll go back to
14 basics, a little bit similar to where we were with the
15 discussion we had of Bonneyville Power and -- and I don't
16 want to belabour this, everybody knows it, but it sort of
17 leads up to my questions.

18 Manitoba Hydro obviously is a monopoly?

19 MR. ROBIN WIENS: Within Manitoba, yes.

20 MR. JOHN LANDRY: Yeah, and as a monopoly
21 it -- it has an obligation to serve the customers in
22 Manitoba?

23 MR. ROBIN WIENS: Yes, it has an
24 obligation to serve the customers who pay the rates that
25 are approved by this Board.

1 MR. JOHN LANDRY: And request service and
2 pay the appropriate rate.

3 MR. ROBIN WIENS: Yes.

4 MR. JOHN LANDRY: And all, as we've just
5 indicated, just so it's clear in the record, all of the
6 customers including the customers that will be impacted
7 by this industrial rate proposal must buy their power
8 from Manitoba Hydro?

9 MR. ROBIN WIENS: Yes.

10 MR. JOHN LANDRY: Now, sir, as a --
11 again, as a general proposition and I don't want to get
12 too down into the detail of this, but would you agree
13 with me as a general preparation or -- proposition that
14 regulation is intended to be a surrogate for the
15 competitive marketplace?

16 MR. ROBIN WIENS: Yes.

17 MR. JOHN LANDRY: And, of course, before
18 you're entitled, as a monopoly, to charge a new rate you
19 have to get it approved by this Board.

20 MR. ROBIN WIENS: Yes.

21 MR. JOHN LANDRY: Now, sir, would you
22 agree with this statement that as in -- as in the case of
23 any regulated utility, given that Manitoba Hydro is a
24 monopoly and exercises monopoly power, it's important
25 that you be transparent with customers so that they can,

1 and the Board can, be satisfied that rates charged are
2 just and reasonable?

3 MR. ROBIN WIENS: Yes.

4 MR. JOHN LANDRY: And, sir, I'd even ask
5 you to agree to this statement that it's even more
6 important in the context of your intensive energy users
7 proposal given the customers in the same market competing
8 against each other could have significantly different
9 rates charged.

10 Would you agree with that?

11 MR. ROBIN WIENS: Yes, that potential
12 exists to have different rates charged to customers
13 within the same jurisdiction, yes.

14 MR. JOHN LANDRY: And it's even more
15 important that you be completely transparent as to why
16 you're charging one (1) rate to one customer versus
17 another rate to another customer competing in --
18 competing in the same marketplace.

19 Would that be a fair statement? Would you
20 agree with that?

21 MR. ROBIN WIENS: Well, I would agree
22 that it's important, yes.

23 MR. JOHN LANDRY: Okay, now sir, when --
24 in the case of embedded rate -- embedded cost rates when
25 you're asking for approval, would you agree with me that

1 effectively, in -- in effect through the IR process and
2 otherwise, all of your costs are the subject matter
3 review and debate including, you know, cross-examination?

4 MR. ROBIN WIENS: Yes.

5 MR. JOHN LANDRY: That's a very
6 transparent process.

7 Would -- would you agree with that?

8 MR. ROBIN WIENS: Yes.

9 MR. JOHN LANDRY: Now would you agree
10 with this as a first statement, sir, that it's quite
11 different than in the case of the now above baseline
12 large industry rate that you're proposing?

13 MR. ROBIN WIENS: Well, I -- I would say
14 that there is some information that Manitoba Hydro is
15 reluctant to release on the public record because it is
16 formerly what our outlook is in the markets of which we
17 are a competitor with other providers.

18 But I would say that there has been a
19 fairly wide range of information that has been produced
20 during this proceeding that while not precisely the same
21 as the information that we look at when we look at our
22 long term marginal costs, would tend to either support or
23 to not support those and that those can be reviewed by
24 this Board and by other parties to the proceeding.

25 MR. JOHN LANDRY: Well, I think -- I

1 think you're trying to figure out where I'm going. The
2 first question I have is would you agree there's a
3 difference?

4 MR. ROBIN WIENS: Well, I definitely
5 agree that there's some information that we've declined
6 to provide. So, if that's what you're meaning by a
7 difference, yes, there's a difference.

8 MR. JOHN LANDRY: Okay, and, in fact the
9 rate that you now are suggesting should be charged to
10 this industrial group is established -- and I'll use my
11 terminology, I hope it's the same as yours, but please
12 correct me -- correct me if I'm wrong -- through marginal
13 costing model?

14 MR. ROBIN WIENS: Yes.

15 MR. JOHN LANDRY: And as you've
16 indicated, the -- the details of that model -- some of
17 the details of that model in many key respects I might --
18 I might suggest to you are not subject to scrutiny by the
19 Board or the Intervenors?

20 MR. ROBIN WIENS: Well, I'm -- I -- I
21 don't want use the same words as you have, Mr. Landry,
22 but the detailed output of the marginal cost model, yes,
23 has not been made available. So, I think I can
24 objectively say that.

25 MR. JOHN LANDRY: Mr. Wiens, I have gone

1 through other situations in other jurisdiction. I
2 appreciate your, the confidentiality issue, but I'm
3 trying to figure out what's on the record, what's not.
4 The, first of all, the model is not something that can be
5 looked by the -- the Board or Intervenors. Am I correct
6 in that?

7 MR. ROBIN WIENS: That's right.

8 MR. JOHN LANDRY: Yeah. And -- and
9 certain key pieces of information that are necessary to -
10 - to get the output to the model that is provided to the
11 Board and to the Intervenors is not available.

12 Is that a fair statement?

13 MR. ROBIN WIENS: Yes.

14 MR. JOHN LANDRY: Now, sir, once before
15 as I understand it and -- and please correct me if I'm
16 wrong because this is the first time that I've had the
17 opportunity to appear in this jurisdiction, but once
18 before, Manitoba Hydro attempted to use marginal cost
19 information as I understand it, set rates in -- in a Cost
20 of Service model type of way which contain confidential
21 information.

22 Do you recall that, sir?

23 MR. ROBIN WIENS: Yes. I believe it was
24 in 2002 but somebody could correct on that.

25 MR. JOHN LANDRY: I think I can help you

1 there in a bit. But -- and as I understand it you came
2 forward with this proposition and ultimately Manitoba
3 Hydro itself decided to go a different route that did not
4 require the use of confidential information.

5 Is that a fair statement?

6 MR. ROBIN WIENS: Yes.

7 MR. JOHN LANDRY: And you did that, sir,
8 in part if not for the full reason that that would allow
9 all of the parties including the Board and the
10 Intervenors to be able to scrutinize the information that
11 -- and test the information that you were putting
12 forward.

13 Is that a fair statement?

14 MR. ROBIN WIENS: Yes.

15 MR. JOHN LANDRY: And -- and just for the
16 record, Mr. Wiens, if you could refer to Tab 13, MIPUG
17 Exhibit Number 10 which is an extract from that 2002
18 Hearing.

19 And where I'm referring to is at page --
20 it's two (2) pages and I apologize that I've got two (2)
21 pages on each page but where it has thirty-one sixty-
22 three (3,163), sir?

23 MR. ROBIN WIENS: Yes.

24 MR. JOHN LANDRY: And down -- if you go
25 down to line 16 of page 3163. Do you see that? It

1 starts -- it's you, sir, and it starts, the answer:

2 "The aggregate type of material.."

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

4 MR. JOHN LANDRY: And it says:

5 "The aggregate type of material that we
6 did disclose with the filing wasn't
7 problematic for us but obviously the
8 Board and Intervenors are going to be
9 seeking some substantiation for those
10 numbers and that was what we determined
11 we couldn't provide without
12 compromising our ability to operate in
13 that marketplace."

14 Correct?

15 MR. ROBIN WIENS: I see that.

16 MR. JOHN LANDRY: And that's effectively
17 what you and I were talking about, correct?

18 MR. ROBIN WIENS: Yes.

19 MR. JOHN LANDRY: Now this is quite
20 different than even back then, sir, because as I
21 understand what's happening here is that this is the --
22 this is for the first time, for Manitoba Hydro and -- and
23 it's my understanding for the first time in -- in the
24 Canadian regulatory marketplace, that marginal costs are
25 being used actually to establish a full rate for a -- in

1 the case of this case, the Tier 2 rate for an industrial.

2 It's a bit different isn't it?

3 MR. ROBIN WIENS: Sorry, could you say
4 again please?

5 MR. JOHN LANDRY: I'm saying that this is
6 a situation now where you're actually trying to establish
7 a rate using that marginal costing information, correct?

8 MR. ROBIN WIENS: Yes.

9 MR. JOHN LANDRY: Yeah. And -- and to
10 your knowledge, is that -- are you the only jurisdiction
11 at least to this point in time, that has created a
12 marginal rate similar to the way in which Manitoba Hydro
13 is proposing it?

14 MR. ROBIN WIENS: Well other
15 jurisdictions have used marginal cost to create rates but
16 not in precisely the same way as you're asking.

17 MR. JOHN LANDRY: The same way. That's
18 right. And -- just to go over a little bit, about the
19 type of key information that we're talking about here,
20 sir.

21 Well -- well let's start with this.
22 Sorry, I lost my train of thought there, I apologize.
23 Obviously in the -- in the case of the second-tier rate
24 that we're talking here, based on marginal cost, we -- we
25 can at least agree that it's significantly higher than --

1 than the embedded cost rate.

2 MR. ROBIN WIENS: Yes.

3 MR. JOHN LANDRY: And in that context
4 now, you're asking your customers to effectively pay that
5 rate, and for the Board to approve that it's a just and
6 reasonable rate, correct?

7 MR. ROBIN WIENS: Yes.

8 MR. JOHN LANDRY: So now your customers
9 are going to be subjected to a very high rate which is
10 really totally dependent on the reasonable --
11 reasonableness of the forecast and the correctness of how
12 your model runs to get the output.

13 Is that a fair statement?

14 MR. ROBIN WIENS: Well as a -- as a
15 precise number, yes, that would be correct.

16 MR. JOHN LANDRY: They have to rely that
17 Manitoba Hydro had a reasonable forecast of export
18 prices, correct?

19 MR. ROBIN WIENS: That's correct.

20 MR. JOHN LANDRY: And they cannot test
21 that forecast?

22 MR. ROBIN WIENS: Well, I think there is
23 information available, as I said, on the record, that
24 allows them to test it if -- and -- and you know, if --
25 if the Board is not satisfied with the extent to which

1 that particular number is supported, I -- you know, I
2 would submit that it can go to the rest of the record,
3 and look and see what might be more reasonable for a
4 determination for it to make.

5 MR. JOHN LANDRY: For a determination for
6 it to make of the -- what the most appropriate rate is?

7 MR. ROBIN WIENS: Yes.

8 MR. JOHN LANDRY: In other words, if your
9 marginal cost -- if they're not satisfied that they have
10 enough information before them to conclude in a -- in a
11 quasi-judicial way that a rate is just and reasonable,
12 you're saying that they could pick something else to
13 establish the rate.

14 MR. ROBIN WIENS: I'm saying that we've
15 provided historic information about the value of export
16 sales, which as Mr. Surminski has -- has testified,
17 accounts for about 85 percent of our marginal cost
18 determination in production costing, that they could go
19 to the recent history or to a five (5) year history to
20 test the reasonableness of what we are proposing.

21 MR. JOHN LANDRY: But, sir -- and maybe
22 Mr. Surminski can help us here, I -- I didn't hear
23 somebody suggest that the model that you're preparing and
24 the marginal cost number that was coming out of that
25 model -- okay -- was actually based on historical

1 figures. I heard it was based on a forecast of what you
2 understood the export prices to be into the future, I
3 think it was twenty (20) years.

4 Is that a fair -- a fair summary?

5 MR. ROBIN WIENS: Well, you're right in
6 that it's not historical. In terms of twenty (20) years,
7 no. What we selected was the first year of that twenty
8 (20) year forecast. The nearest term year.

9 MR. JOHN LANDRY: Yeah, and then you have
10 your consultants, as I understand them -- if I understood
11 Mr. Surminski right, you have your consultants
12 presumably, who have -- who have significant knowledge
13 about the United States market, then effectively give you
14 a forecast that you can scrutinize, I accept, and that's
15 what's effectively put into your model.

16 Am I -- am I overstating this?

17

18 (BRIEF PAUSE)

19

20 MR. HAROLD SURMINSKI: Yes, but as Mr.
21 Wiens is indicating, it is really the -- the very first
22 year, '08/'09. This was -- when we were proposing this,
23 this was in 2006, it was a forecast two (2) years out.
24 So it's not greatly different than -- than historic
25 prices. You -- you can't change things in two (2) years.

1 Our consultants are -- are looking ten (10) and twenty
2 (20) years out.

3 So that's the -- the more important
4 information we're getting from the consultants, is the
5 long-term view. A forecast two (2) years out is -- can't
6 be very different than your historic starting pr --
7 starting point.

8 MR. JOHN LANDRY: Well, Mr. Surminski, I
9 -- I appreciate your opinion and I understand that you
10 can give an opinion as such, but the point that I'm
11 trying to make is, the forecast that you're talking about
12 -- that you're asking in effect, this Board and
13 Intervenors to rely on, is not something that you're
14 allowing the Intervenors and the Board to see, at this
15 point in time.

16 Is that not a fair statement?

17 MR. HAROLD SURMINSKI: No, that's fair.

18 MR. JOHN LANDRY: Sir, the other -- the
19 other, again, in most organizations, including your own,
20 I'm sure this is a small point, but having seen a couple
21 of examples over the last couple of days while I've been
22 -- had the pleasure of appearing here, I would -- I would
23 make this point:

24 You're also -- because you're not al --
25 not releasing the model to interveners and the Board,

1 you're also no -- not letting that model and how you
2 calculated that model through this -- the normal scrutiny
3 process, to see whether or not there are any mistakes in
4 the model.

5 Is that a fair statement?

6 MR. HAROLD SURMINSKI: Yes, that's a fair
7 statement.

8 MR. JOHN LANDRY: Yeah. And -- and we've
9 seen on at least a couple of occasions while I've been
10 here, where you have -- you have created schedules and
11 documents where you've had to go back after the fact,
12 because of scrutiny and change, because there were
13 mistakes made, correct?

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

15 MR. JOHN LANDRY: And so the difficulty
16 when you're dealing with marginal rates, I've put to you
17 is, is that the -- the Intervenor and the Board simply
18 do not have that capability to go through your model, to
19 make sure there are no errors in the model.

20 Fair statement?

21 MR. ROBIN WIENS: Yes.

22 MR. JOHN LANDRY: Just in relation to one
23 specific item as I understand it, maybe Mr. Surminski can
24 -- can respond to this question. As I understand what I
25 heard in terms of answers to cross-examination from Mr.

1 Peters, that the present marginal cost rate that you're
2 proposing -- and again this is just one assumption that
3 goes into the model, I understand that.

4 But it -- but it's based on a 2006
5 forecast, if I understood it, of what the currency
6 exchange rate would be between the US and Canadian
7 dollar?

8 MR. HAROLD SURMINSKI: Yes, I believe
9 that is correct because at the time when this was being
10 proposed, it was being -- the rate was being determined,
11 it was January of '07 when we had the '06 marginal cost
12 information and the '06 currency exchange rate forecast,
13 official forecast.

14 MR. JOHN LANDRY: And that exchange rate,
15 as I understand what went into your calculation of
16 marginal cost, the exchange that you put in was \$1.17
17 Canadian to the US dollar?

18 MR. HAROLD SURMINSKI: Yes, I believe
19 that's right.

20 MR. JOHN LANDRY: And you would at least
21 agree with me that here we are in 2008, that it's
22 significantly different than that at least in 2008?

23 MR. HAROLD SURMINSKI: Yes, I agree with
24 that.

25 MR. JOHN LANDRY: Yeah? And you would

1 also agree with me that at least -- least the forecast
2 that I've seen and I'll see if you agree with this, which
3 suggests that in the 2008/2009 timeframe that it's not
4 going to be materially different, at least on the
5 downside, than what it is right now? Is that a fair
6 statement?

7

8

(BRIEF PAUSE)

9

10 MR. VINCE WARDEN: Mr. Landry, we've
11 filed with these proceedings a copy of our inter --
12 integrated financial forecast which has a projection of
13 exchange -- exchange rates into the future and we have no
14 reason to, at this point, to deviate from what we have in
15 that financial forecast.

16 MR. JOHN LANDRY: What -- what does your
17 financial forecast say for 2008/2009 timeframe? Do you
18 have that? I apologize, Mr. Warden, I don't have that at
19 my fingertips so...

20

21

(BRIEF PAUSE)

22

23 MR. BOB PETERS: Not to interrupt my
24 friend Mr. Landry with his cross examination but it may
25 be assistance to the witnesses, at the revenue

1 requirement stage, a book of documents was prepared by --
2 on behalf of the Board and I used it in my questioning.
3 At Tab 45 is a -- a publication of Information Request
4 PUB/Manitoba Hydro First Round 59B and I think there's
5 Table two (2) and I'm only trying to be of assistance.

6 It's the last page, I believe, in Tab 45
7 and that may or may not assist the witnesses, Mr.
8 Chairman, but that's the only purpose for my offering it.

9

10 CONTINUED BY MR. JOHN LANDRY:

11 MR. JOHN LANDRY: Thank you, Mr. Peters.
12 Does that help, Mr. Warden?

13 MR. VINCE WARDEN: Yes, it does, and
14 thank you, Mr. Peters. This is, in fact, based on our
15 IFF '07/1 which is the financial forecast that I referred
16 to. So the -- for the -- the '08/'09 fiscal year, one
17 second please.

18 MR. JOHN LANDRY: Well -- just to make it
19 easier, because I -- my guess is that these are in -- in
20 calendar years, I'm okay with calendars. So I'm just
21 talking about 2008/2009.

22

23 (BRIEF PAUSE)

24

25 MR. VINCE WARDEN: Yes, Mr. Landry, the -

1 - the forecast or the Table 2 referenced at Tab 45 of the
2 book of documents, references one eleven (111), the
3 exchange rate, average of one point one one (1.11), which
4 is relatively consistent with what we -- we been using in
5 this -- for purposes of deriving the -- our forecasts of
6 -- of US revenues.

7 MR. JOHN LANDRY: So if -- so if I
8 understand that, you're saying that in the 2008/2009
9 years when you did your forecast you used one eleven
10 (111)?

11 MR. VINCE WARDEN: That was the forecast
12 prepared in the Fall of 2007 for the fiscal years as
13 indicated or the years as indicated in this table.

14 MR. JOHN LANDRY: Okay, well, I -- we --
15 we seem to be crossing here and I just want to make sure
16 I'm precise in the record. When I talk about the
17 forecast that I would like to get some information on,
18 just so you know and I know you're not -- I want to make
19 sure that we're both on the same page here, I'm talking
20 about the forecast that's used by Mr. Surminski to come
21 to the marginal cost number.

22 MR. VINCE WARDEN: Correct. And I -- I
23 think we are talking slightly different time frames.

24 MR. JOHN LANDRY: Okay. So in that
25 forecast, Mr. Surminski, do you know what the currency

1 rate is that you put in for 2008/2009?

2

3

(BRIEF PAUSE)

4

5 MR. JOHN LANDRY: Why don't we do this,
6 because I don't want to -- I don't -- it's -- that's
7 probably not a totally reasonable request to expect an
8 answer immediately, so if you could just take an
9 undertaking, we can -- we can move on.

10 Is that okay, Mr. Surminski?

11 MR. HAROLD SURMINSKI: Your request
12 specifically is for the year '08/'09, and what the
13 currency exchange rate was in '06 used in marginal costs?

14 MR. JOHN LANDRY: You -- you can, but if
15 that's too difficult I'm quite willing to live with the
16 calendar years, if you know what I mean. You know, what
17 you used for 2008 and 2009, because I know your fiscal
18 year is different than calendar and a lot of these
19 projections are on calen -- are calendar year basis.

20 MR. HAROLD SURMINSKI: Yes, that's fine.

21 MR. JOHN LANDRY: Thank you.

22

23 --- UNDERTAKING NO. 86: Manitoba Hydro to provide
24 MIPUG with the financial
25 forecast for 2008/2009, and

1 what the currency exchange
2 rate was in '06 used in
3 marginal costs
4

5 CONTINUED BY MR. JOHN LANDRY

6 MR. JOHN LANDRY: Now, Mr. Wiens, I want
7 to switch topics again and -- and look at this -- what
8 we're -- we're attempting to do here in terms or what
9 Manitoba Hydro is attempting to do here in the proposal.
10 And I guess, again, realizing I'm coming from a different
11 jurisdiction if I say something that's not quite the way
12 it should be you -- you can correct me, please.

13 But, sir, I'm going to make a statement to
14 you and I want to see your response to it. Given the
15 lack of any policy direction from government on this
16 issue, would you agree with me that the effect of
17 Manitoba Hydro's proposal is that Manitoba Hydro is
18 setting economic policy for the province?

19 MR. ROBERT MAYER: Sir, before that
20 question is answered I don't know how I say to you that I
21 think you underestimate the intelligence of this Board,
22 if you believe that this Board would ever be of the
23 opinion that Manitoba Hydro being a Crown Corporation
24 could ever get away with that. But if that's how you
25 want to proceed, go ahead.

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CONTINUED BY MR. JOHN LANDRY:

MR. JOHN LANDRY: Sir, I appreciate your point. I'm -- I'm trying to find out what Manitoba Hydro's view is, and I'll get to the next question.

I guess I'd -- I would like an answer to the question if you could though, Mr. Warden, please.

MR. VINCE WARDEN: Okay. Well, we in no -- in no way set the economic policy for the province of Manitoba.

MR. JOHN LANDRY: And I -- and that's what I expected that you said, sir. But would you at least agree with this -- would say -- would you agree -- agree with this, sir, that Manitoba in the way it's setting up its criteria is trying to determine what -- what industries are good for the province?

MR. VINCE WARDEN: Manitoba Hydro --

MR. JOHN LANDRY: Yes.

MR. VINCE WARDEN: -- in the way it set up it's criteria? We're trying to arrive at a determination as to whether there's economic benefits to the province, yes.

MR. JOHN LANDRY: Well, let me push you a little bit further in that, sir. I wonder if you could go to Manitoba -- or MIPUG Exhibit Number 10 at Tab 6

1 which again is the discussion paper that I was discussing
2 with Mr. Wiens. And the page reference, sir, is page 5
3 that I'd like to refer you to.

4 Do you have that?

5 MR. VINCE WARDEN: Yes, we have it here.

6 MR. JOHN LANDRY: And, sir, the -- the
7 paragraph that I'm going to refer to is the second
8 paragraph. It starts off, "If an exemption is
9 granted..."

10 Do you see that?

11 MR. VINCE WARDEN: Yes.

12 MR. JOHN LANDRY: And I -- and I'm trying
13 to go to about the middle of that paragraph, in the
14 middle of -- I think it's one -- 6th line which starts
15 with, "By proposing a minimum threshold..."

16 Do you see that?

17 MR. VINCE WARDEN: Yes.

18 MR. JOHN LANDRY: And -- let me just
19 quote it for the record so it's on the record. It states
20 and I quote:

21 "By proposing a minimum threshold for
22 exemptions as four (4) times
23 incremental cost to other ratepayers,
24 or three (3) times for the direct
25 payroll criteria, the formula provides

1 assurance to ratepayers and other
2 stakeholders that economically
3 advantageous industries and/or
4 expansions are welcome in Manitoba."

5 Do you see that?

6 MR. VINCE WARDEN: I do.

7 MR. JOHN LANDRY: So as I took that, sir,
8 what it said to me was so in effect, Manitoba is trying
9 to determine, using this criteria -- Manitoba Hydro is
10 trying to determine, in using this criteria, what is an
11 economically advantageous industry and what is not an
12 economically advantageous industry.

13 Is that a fair statement?

14 MR. VINCE WARDEN: It is.

15 MR. JOHN LANDRY: Sir, with that
16 background I'd like to now turn to look a little bit more
17 closely at the energy intensive industries that Manitoba
18 Hydro seems to conclude are not economically advantageous
19 for the province.

20 And I wonder if you could -- sorry, to
21 keep moving around these documents, sir -- but if you
22 could go to Tab 7 of Exhibit Number 10, which is the -- I
23 think it's been referred to already in -- in evidence but
24 this is the presentation that was made to MIPUG in August
25 of 2006.

1 Do you see that?

2 MR. VINCE WARDEN: Yes.

3 MR. JOHN LANDRY: And, Mr. Wiens, is this
4 the presentation that you prepared just so -- or
5 presented?

6 MR. ROBIN WIENS: I assisted in the
7 preparation of it. I did not present it.

8 MR. JOHN LANDRY: Okay. So you're
9 familiar with it though?

10 MR. ROBIN WIENS: Yes.

11 MR. JOHN LANDRY: And at the time you
12 obviously agreed with the contents in it?

13 MR. ROBIN WIENS: Yes.

14 MR. JOHN LANDRY: Now, sir, maybe, Mr.
15 Wiens, I could ask you this question given that you were
16 involved in the preparation of this. If you go to the
17 introduction which is the second page. And the bullet
18 that I'd like to refer to is the fifth bullet and I'll
19 quote, it says:

20 "The perception is that these
21 electricity intensive industries
22 provide little direct or indirect long
23 term benefits to the Manitoba economy."

24 Do you see that?

25 MR. ROBIN WIENS: Yes.

1 MR. JOHN LANDRY: Sir, what -- what is
2 meant by the word "perception" in that context?

3 MR. ROBIN WIENS: I guess I would say the
4 word "perception" means is that somebody looking at the
5 amount of energy being consumed by electricity intensive
6 industry and at -- at a very simple level, the -- see the
7 employment within that does not appear to be commensurate
8 with most of the other industry in the province.

9 MR. JOHN LANDRY: Well the -- the
10 expression I think I heard you -- is at a very simply
11 level.

12 Is that what I heard?

13 MR. ROBIN WIENS: Well at a high level,
14 Mr. Landry, in terms of what -- what are the number of
15 jobs in the electricity intensive industry compared to
16 the consumption of electricity by that type of industry
17 and then compared to other industry within the province
18 which this presentation goes on to delineate

19 MR. JOHN LANDRY: Okay. But I -- I'm
20 trying to come to grips with the word "perception" as
21 opposed to reality.

22 And I guess the question I'm trying to --
23 trying to determine, sir, is what did you mean when you
24 put that in this document? What did perception mean?

25 MR. ROBIN WIENS: I -- I think I've given

1 you, to the best of my ability, how -- how I understand
2 it.

3 MR. JOHN LANDRY: Okay. If you would go
4 in, then, sir, to the fifth page and -- although it's
5 double-sided, and it is a table. At the top it says,
6 "Provincial Economic Benefit Comparison".

7 Do you see that?

8 MR. ROBIN WIENS: Yes, I do.

9 MR. JOHN LANDRY: Does the Board have
10 that?

11

12 (BRIEF PAUSE)

13

14 MR. JOHN LANDRY: Now, if we refer to
15 this table, I presume what you're intending to -- to show
16 here or demonstrate here or say here is that industries
17 that have a large component of their cost structure their
18 electrical cost, would -- if they had a choice be
19 attracted to Manitoba unless this rate proposal was
20 approved; in other words, because of the low -- low rates
21 in Manitoba.

22 Is that a fair statement?

23 MR. ROBIN WIENS: I'm sorry. Could you
24 re -- rephrase the question?

25 MR. JOHN LANDRY: I probably -- it was

1 probably not as articulate as it should have been.

2 I presume what you're trying to say here
3 is that because of the importance of the electricity cost
4 to total production costs, these are the type of
5 industries that would be attracted to Manitoba if you
6 didn't put in place some sort of rate like you're
7 proposing here.

8 MR. ROBIN WIENS: They may be attracted
9 even with -- with the rate, but we're seeing that the --
10 the low rate is certainly a factor in their decision to
11 locate within -- within Manitoba.

12 MR. JOHN LANDRY: Well, I -- I took it
13 from this, and you -- you correct me if I'm wrong, sir.
14 I took it from this that -- that because of the -- and --
15 and from other information that you filed in relation to
16 these interests, because the electricity costs are such a
17 major component of their production costs, that they are
18 attracted to jurisdictions that have low electricity
19 costs.

20 MR. ROBIN WIENS: I -- I would agree with
21 that.

22 MR. JOHN LANDRY: And so what I'm saying
23 to you, sir, is that -- and I took it, and you correct me
24 if I'm wrong, let's just take the -- the pipeline
25 industry, I accept, is a little different because they're

1 -- they geographically have to go where they go.

2 But you -- take industries, would you
3 agree with me that the chlorate industry and the internet
4 server farm industry are -- one (1) of the key components
5 in their decision of where to go would likely be, given
6 the numbers you've got here, what the electrical costs
7 are going to be?

8 MR. ROBIN WIENS: Yes, I would.

9 MR. JOHN LANDRY: Okay. Would you agree
10 with me on this, sir, given the -- given the -- the high
11 rate of the marginal costs that you're proposing and --
12 and it being effectively -- effectively, I guess from
13 what you're saying, tied to -- tied to the export prices,
14 that it -- given the importance of electrical costs to
15 both the chlorate industry and the internet server farm
16 industry, it is unlikely that Manitoba would be their
17 first choice because of the electrical rates that would
18 come in play with the new rate?

19 MR. ROBIN WIENS: I -- I think that would
20 certainly encourage them to look around elsewhere,
21 whether that would ultimately affect their choice, it
22 probably would, but I can't say for sure.

23 MR. JOHN LANDRY: Well, sir, you know
24 that the -- that -- and -- and in -- in your, presumably
25 your review of these issues with these industry groups

1 that have contacted you, that electricity rates are key
2 to determining where they locate. A fair statement?

3 MR. ROBIN WIENS: Yes, and that's what we
4 believe.

5 MR. JOHN LANDRY: All right. So what I'm
6 trying to say to you sir is that the effect -- the effect
7 of the new rate that you're proposing in effect will mean
8 that these type of industries will no longer come to
9 Manitoba.

10 MR. ROBIN WIENS: That is a likely
11 outcome, but I'm not going to agree that it's a certain
12 outcome.

13 MR. JOHN LANDRY: I'll go with lightly --
14 likely. And the chances are with that rate, given what
15 we just said, that they might be more inclined to go to
16 places like British Columbia or -- or Newfoundland.

17 MR. ROBIN WIENS: They will take a number
18 of factors into consideration in their location decision.
19 The rate will certainly be among them, if not primary
20 among them. They won't just look at today's rates,
21 they'll look at what's likely to happen into the future,
22 and we cannot be absolutely certain that the outcome will
23 be that they will choose not to come to Manitoba.

24 The way the rate is designed, Manitoba
25 Hydro should be indifferent as to whether they decide to

1 come to Manitoba or not.

2 MR. JOHN LANDRY: I understand that
3 Manitoba Hydro will be indifferent. I do understand that
4 concept. The question I think we're all going to debate
5 is whether Manitoba will be indifferent. And what I'm
6 asking -- what I'm just trying to get to, and I think
7 I've got you sort of most of the way there, you're saying
8 that it's likely if this -- if this rate is -- is
9 approved, it's likely -- not completely, I accept that
10 point -- it's likely that the chlorate industry and the
11 internet server farm industry will not look to Manitoba
12 to locate?

13

14 (BRIEF PAUSE)

15

16 MR. ROBIN WIENS: It -- it's -- they're
17 certainly going to look around. I -- I cannot -- I -- I
18 cannot agree with any kind of certainty what their
19 decision would be. I -- I just don't know.

20 MR. JOHN LANDRY: Sir, let me -- let me
21 try it at a very simple level. You've indicated to this
22 Board, and I won't go to the exact forecast, but you've
23 indicated to this Board that if a rate is not approved,
24 if this type of proposal is not approved and industrials
25 have the embedded cost rate, that your load forecast is

1 going to be a potentially significant -- significantly
2 increased over the next ten (10) to twenty (20) years.
3 Fair statement?

4 MR. ROBIN WIENS: The loads will
5 increase, of this type, will increase over the next
6 twenty (20) -- ten (10) to twenty (20) years, yes.

7 MR. JOHN LANDRY: And if you put the rate
8 in place, they won't increase as much.

9 Is that a fair statement?

10 MR. ROBIN WIENS: Well, again that --
11 that is certainly one (1) of the outcomes that could
12 happen, but, as -- as I said, we wanted this rate to tell
13 them was if -- if you're okay with paying this rate
14 please come. We're -- we're prepared to serve you. If
15 you're not, then I guess you will choose to locate
16 elsewhere.

17 MR. JOHN LANDRY: And, sir, again I don't
18 -- I'm not going to belabour this, because we can argue
19 about this all day. I'm -- I'm going to put one (1)
20 proposition to you again.

21 It is highly unlikely, okay, given the
22 price that you're proposing in your proposal that the
23 chlorate industry, which you say relies on 65 to 75
24 percent of its production costs on electricity, and the
25 Internet server farms industry which relies on 75 to 85

1 percent according to you, it's highly unlikely that
2 they're going to look to Manitoba to locate their
3 industry.

4

5

(BRIEF PAUSE)

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7 MR. VINCE WARDEN: Mr. Landry, I -- I
8 don't think we can agree with your statement. We -- we --
9 -- as Mr. Wiens has answered, we don't know for sure. We
10 think the rate that we're proposing will protect the
11 other ratepayers in Manitoba from having to pay higher
12 rates themselves. They may very well still choose to
13 come to Manitoba, and we hope they do, but if they do
14 then Manitoba Hydro will be held revenue-neutral.

15

16 MR. JOHN LANDRY: So you have no view on
17 it then? You don't have a view? You don't know whether
18 they will or they won't in terms of your planning
19 exercise over the next ten (10) to twenty (20) years?

20

21 MR. VINCE WARDEN: We're planning as such
22 that if they do choose to come to Manitoba, we will be
23 revenue-neutral from that decision.

24

25 MR. JOHN LANDRY: I understand that, sir.
The question is are they going to come, or are they not
going to come, and I guess we can agree to disagree on
that.

1 MR. VINCE WARDEN: Yeah, we --

2 MS. PATTI RAMAGE: I think you've...

3 MR. VINCE WARDEN: -- we don't know.

4 MR. JOHN LANDRY: Okay. Sir, Mr. Warden,

5 I think it's your quote, so I'll ask you to comment on
6 this. If you go to Exhibit 10, MIPUG Exhibit 10, Tab 16.

7 Do you have that, sir?

8 MR. VINCE WARDEN: Yes, we have it here.

9 MR. JOHN LANDRY: Now, sir, at page 2064
10 which is the first -- I guess the only page in the thing
11 -- you'll see down at line 15 that you're answering a
12 question from -- I think it's from the Vice-Chair,
13 actually, but in any event -- the -- you'll see about
14 line 18, and it says and I quote:

15 "And the intent is to capture those
16 industries most -- most especially the
17 chlorate and the pipeline industries
18 for which we know there are very few
19 benefits to the province."

20 You see that, sir?

21 MR. VINCE WARDEN: I do see that.

22 MR. JOHN LANDRY: And now that you've had
23 a chance to read it in black and white, are you
24 comfortable with that statement?

25 MR. VINCE WARDEN: I think I would have

1 preferred to say we know -- for which we know there are
2 very few incremental benefits to the province with
3 additional load.

4 MR. JOHN LANDRY: Okay. But from your
5 perspective, I guess, Manitoba Hydro and I'll use your
6 language, knows that there are very few incremental
7 benefits from these two (2) industries.

8 That's your point, right?

9 MR. VINCE WARDEN: From major expansion
10 of their loads there would be very few incremental
11 benefits to the province.

12 MR. JOHN LANDRY: Or presumably new
13 loads?

14 MR. VINCE WARDEN: Or presumably new
15 loads, yes.

16 MR. JOHN LANDRY: Okay. Now, sir, I
17 guess what I'm -- would you agree with this, sir, that
18 first of all the chlorate industry is in the province of
19 Manitoba already, correct?

20 MR. VINCE WARDEN: Yes.

21 MR. JOHN LANDRY: And -- and of course
22 there's the Brandon plant that you're aware of?

23 MR. VINCE WARDEN: Yes.

24 MR. JOHN LANDRY: There's nothing that
25 I'm aware of on the record that took a look at the

1 Brandon plant for example to determine what economic
2 impact it had in terms of benefits both for the Brandon
3 area and -- and Manitoba.

4 Would that be a fair statement? There's
5 nothing on the record to that effect?

6 MS. PATTI RAMAGE: I'm concerned about
7 talking -- speaking about a particular industry or
8 customer's profile. I think if there's nothing on the
9 record, it's in large part because of confidentiality
10 concerns here. I think we're dealing with a concept, and
11 we -- we need not deal with a particular plant in order
12 to discuss that concept.

13 THE CHAIRPERSON: It's a difficult issue.
14 I understand why Mr. -- I think I can gather why Mr.
15 Landry's asking the question but we've already identified
16 there is only I think fourteen (14) locations and twelve
17 (12) companies so it makes it a little bit difficult.
18 Carry on, Mr. Landry. We'll see where we go.

19 MR. JOHN LANDRY: Thank you.

20 MR. VINCE WARDEN: I would agree with
21 your statement. There's nothing substantive on the
22 record that would indicate what the existing benefits
23 are.

24 If you can just give me one (1) moment on
25 that though please?

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(BRIEF PAUSE)

MR. HAROLD SURMINSKI: Mr. Landry,
perhaps -- Harold Surminski here.

The undertaking that you asked about the
exchange rate, perhaps I could just respond to that.

MR. JOHN LANDRY: I'm fine with that, Mr.
Chairman. Is that -- is that fine?

MR. ROBERT MAYER: Respond to the
undertaking.

MR. JOHN LANDRY: The undertaking on the
exchange rate for 2006?

THE CHAIRPERSON: Please. Sure, why not.

MR. JOHN LANDRY: Thank you.

MR. HAROLD SURMINSKI: Yes, I've looked
it up --

MR. JOHN LANDRY: Thank you.

MR. HAROLD SURMINSKI: -- and we used one
point one six five (1.165) as the exchange rate.

THE CHAIRPERSON: Thank you sir.

MR. VINCE WARDEN: Mr. Landry, I --

MR. JOHN LANDRY: Could I just open that
so that --

THE CHAIRPERSON: Of course.

1 MR. JOHN LANDRY: -- so that we have that
2 and then I'll get back to you, Mr. Warden, if that's okay
3 with you?

4 MR. VINCE WARDEN: Sure.

5 MR. JOHN LANDRY: Is that okay? Okay.

6

7 CONTINUED BY MR. JOHN LANDRY:

8 MR. JOHN LANDRY: Mr. Surminski, just so
9 I have that, that's one point one six five (1.165). Is
10 that for both calendar year 2008 and calendar year 2009
11 or how -- how -- just so I understand what that is meant
12 to be?

13 MR. HAROLD SURMINSKI: That's fiscal year
14 '08/'09 and it's essentially the same for '09/'10 or all
15 those years where essentially one one six (116) to one
16 one seven (117).

17 MR. JOHN LANDRY: So within -- within a
18 point zero zero five (.005), we're within the actual
19 forecast for the entire period of one point one seven
20 (1.17), correct, for the -- for those two (2) or three
21 (3) or four (4) years, whichever number of years you just
22 mentioned?

23 MR. HAROLD SURMINSKI: Yeah, five (5)
24 years. It drops in 2015 to one one five (115).

25 MR. JOHN LANDRY: I see. So the -- so

1 the assumptions in the model for the first number of
2 years exchange rate are ballpark and I'm ballpark, around
3 the one point one seven (1.17) range?

4 MR. HAROLD SURMINSKI: Yes, that's
5 correct.

6 MR. JOHN LANDRY: Okay. Thank you. I'll
7 go to --

8 THE CHAIRPERSON: Please.

9

10 CONTINUED BY MR. JOHN LANDRY:

11 MR. JOHN LANDRY: I'll finish up with Mr.
12 Warden now. Mr. Warden, I apologize. You -- I
13 interrupted you. You had an answer to my question?

14 MR. VINCE WARDEN: Well, Mr. Landry, I
15 responded to your previous question as to whether -- from
16 the perspective of whether Manitoba Hydro has put
17 information on the record with respect to the benefits
18 that may be provided by a particular -- particular
19 industry group to a region. And I am aware, of course,
20 that MIPUG has submitted information in that regard.

21 MR. JOHN LANDRY: And I was asking about
22 Manitoba -- Manitoba Hydro.

23 MR. VINCE WARDEN: Okay. Fair enough.
24 Thank you.

25 MR. JOHN LANDRY: And --

1 MR. VINCE WARDEN: But then Manitoba
2 Hydro has not -- is not putting any information on the
3 record --

4 MR. JOHN LANDRY: So there's no --
5 obviously and this goes without saying, but just so it's
6 clear on the record, there's no where on the record that
7 -- that Manitoba Hydro did any amount of economic
8 analysis in relation of that specific plant in Brandon.

9 MR. VINCE WARDEN: There's nothing on the
10 record to that effect.

11 MR. JOHN LANDRY: Okay. So there's
12 nothing here that would suggest that anybody at Manitoba
13 Hydro contacted officials at the City of Brandon and
14 Economic Development officials et cetera to determine
15 what their view of the benefits of that plant were to the
16 City of Brandon and the surrounding area, correct?

17 MR. VINCE WARDEN: There is nothing on
18 the record to that effect, that's right.

19 MR. JOHN LANDRY: And nobody did an
20 analysis of the indirect impact that -- that that plant
21 has on the Brandon economy?

22 MR. VINCE WARDEN: Well -- sorry, you
23 were asking what was on the record. Now you're asking
24 whether analysis has been done that's not on the record?

25 MR. JOHN LANDRY: No, I said -- oh, well

1 if I did, then I misspoke and I apologize. I was
2 speaking in terms of the record. There's nothing in the
3 record that Manitoba doing any analysis that the indirect
4 impact to the Brandon economy from, you know, significant
5 investment, indirect employment, that type of thing.

6 MR. VINCE WARDEN: There's nothing on the
7 record to that effect.

8 MR. JOHN LANDRY: So, sir, I gather given
9 what you said is that the chlorate industry, from your
10 perspective, and now I'm going to talk about the specific
11 plant in Brandon, you know, that it provided very few
12 benefits to the province.

13 Is that -- would that be your statement?

14 MR. VINCE WARDEN: Well again, I prefer
15 to use the incremental benefits from additional load.
16 There's -- there's no doubt that the existence of the
17 industry in -- in Brandon -- in Brandon is -- is
18 beneficial.

19 MR. JOHN LANDRY: Yeah. But, sir, if --
20 if the plant came to Brandon -- the same plant came to
21 Brandon tomorrow and the rate was approved, that plant,
22 according to your calculations, would be subject to the
23 new rate, correct?

24 MR. VINCE WARDEN: It would.

25 MR. JOHN LANDRY: Yeah. And that would

1 mean, in effect, that you would not have concluded that
2 it was an economically advantageous industry, correct?

3 MR. VINCE WARDEN: Well, at that point,
4 we would have to do the analysis and determ -- make that
5 determination. I wouldn't want to presume that without
6 going through the analysis.

7 MR. JOHN LANDRY: But, sir, I -- I accept
8 that you have to do a bit of analysis as you would in any
9 case, but given your present -- the presentation that was
10 made to the MIPUG members, is it not reasonable for MIPUG
11 to conclude that the chlorate industry would not meet
12 that test?

13 MR. VINCE WARDEN: I think the recipients
14 of that presenta -- presentation could come to that
15 conclusion but again, we would have to go through the
16 analysis and I hope it was made clear at the
17 presentation, I wasn't there, but I hope it was made
18 clear at the presentation that we would perform that
19 analysis.

20 MR. JOHN LANDRY: Mr. Wiens, is it your
21 view that if the chlorate industry comes to the Province
22 of Manitoba, a new one, a new plant, that it will meet or
23 not meet the test?

24 MR. ROBIN WIENS: I don't expect that it
25 would meet the test. But as Mr. Warden said, we wouldn't

1 definitively conclude on that until we had done the
2 analysis.

3 MR. JOHN LANDRY: But all of you -- the
4 indications in your presentation and otherwise would
5 suggest that that was one (1) of the industries that you
6 were targeting with your industrial rate proposal.

7

8 (BRIEF PAUSE)

9

10 MR. ROBIN WIENS: It -- it -- as I think
11 we've noted, it is the expansion that we are concerned
12 about and on the basis of the information that we have,
13 it appears that -- that it -- it's quite likely but we
14 can't say for certain that that type of industry would
15 not meet the criteria.

16 But we wouldn't be definite about it in
17 terms of applying the rate until we had gone through the
18 analysis.

19 MR. JOHN LANDRY: Sir, it's your
20 reasonable expectation, given the presentations you've
21 made to the MIPUG members, that the chlorate industry
22 would not -- would be one (1) of the industries that
23 would be subjected to the higher -- higher rate if we're
24 talking expansions here or a new -- new customer, would
25 you agree with that?

1 MR. ROBIN WIENS: Yes, that's my
2 expectation.

3 MR. JOHN LANDRY: And, sir, this is the
4 point that I'm having difficulty, sir. You had the
5 perfect case study in the province of Manitoba for the
6 chlorate industry and yet Manitoba Hydro chose not to put
7 any economic analysis before this Board on that -- that
8 industry -- on that -- on that plant.

9 Do you have comment on that?

10 MS. PATTI RAMAGE: Mr. Chair, if I could
11 interject at this point. I don't think that question is
12 appropriate at this point. The -- the purpose of this
13 Hearing is not to determine whether the Brandon plant
14 qualifies or does not qualify.

15 We've made that clear at the outset that
16 we weren't putting particular companies on trial here and
17 to -- to ask us now why we wouldn't have put information,
18 it's simply outside the scope of this Hearing. And I
19 think the question is outside the scope of this Hearing.

20 MR. JOHN LANDRY: Mr. Chair, just so you
21 don't have to make a ruling on this, I will -- I'll leave
22 it there. I think my point's made. It'll be made in --
23 in our meeting.

24 THE CHAIRPERSON: Okay.

25

1 CONTINUED BY MR. JOHN LANDRY:

2 MR. JOHN LANDRY: Sir, I want to change
3 topics to the other industry that is mentioned in your
4 presentation, the Internet server farm industry.

5 Now, sir, again, at least in your
6 presentation, Mr. Wiens, that was another one (1) of the
7 electricity intensive industry groups that from a
8 reasonable perspective you were suggesting was
9 problematic for Manitoba, correct?

10 Oh, sorry, are you having trouble finding
11 that? I apologize. It's Tab 7 of the --

12 MR. ROBIN WIENS: No, I -- I have it --

13 MR. JOHN LANDRY: Okay.

14 MR. ROBIN WIENS: -- I -- I just thought
15 it was nearer the front of the presentation than -- than
16 it actually was. I've got it.

17 MR. JOHN LANDRY: Okay, would you agree
18 with me?

19 MR. ROBIN WIENS: Yes, we identified that
20 particular industry as -- as one (1) of those that --
21 again not with certainty but was quite likely well below
22 the experience other in typical Manitoba industries in
23 terms of job content per gigawatt hour as the tape --

24 MR. JOHN LANDRY: And -- and you
25 effectively were saying that it wouldn't -- it would not

1 meet the test that you were thinking about for the
2 criteria -- for the exemption criteria and, therefore, if
3 it -- if that industry ever came to Manitoba would be
4 subjected to the higher rate.

5 MR. ROBIN WIENS: Well, again, and
6 similar to our earlier discussion that is my expectation
7 based on the information that I have. But again we
8 wouldn't make that statement with certainty until we've
9 had a chance to review it.

10 MR. JOHN LANDRY: I see, but it would
11 have been clear -- it would have been clear to the people
12 -- and -- and again I have to be careful on this
13 question, because I don't want to be unreasonable to you
14 -- this presentation was effectively saying, and you
15 correct me if I'm wrong, to the people who you were
16 presenting it to, that the type of industries that you
17 were targeting in this energy -- sorry electricity
18 intensive rate would include the Internet server farm
19 industry?

20 MR. ROBIN WIENS: They were provided as
21 an example of the type of industry that we expected was
22 not providing a lot of job content for the amount of
23 energy that -- it was likely to consume.

24 MR. JOHN LANDRY: And you were -- you're
25 reasonable expectation what is -- was that it would not

1 meet the test that you were going to set up for the
2 economic -- sorry, for the exemption criteria, correct?

3 MR. ROBIN WIENS: Again, based on the
4 information that was available to us, our -- our
5 expectation was that it would fall in a similar category
6 in terms of job content per gigawatt hour of energy.

7 MR. JOHN LANDRY: In other words that,
8 using again Manitoba Hydro's words this industry, okay,
9 was not an economically advantageous industry for
10 Manitoba?

11 MR. ROBIN WIENS: As far as the
12 information that we have is concerned, it was a high
13 energy consuming, but low job creating industry.

14 MR. JOHN LANDRY: I -- I don't know why
15 we're having problems with this, but let me try it one
16 (1) more time.

17 MR. ROBERT MAYER: Don't go too far with
18 it Mr. Landry. We know --

19 MR. JOHN LANDRY: Yeah.

20 MR. ROBERT MAYER: -- we know where
21 you're coming from and we've read the item --

22 MR. JOHN LANDRY: Okay.

23 MR. ROBERT MAYER: -- and we can draw our
24 conclusions from that.

25

1 CONTINUED BY MR. JOHN LANDRY:

2 MR. JOHN LANDRY: Thank you, thank you,
3 sir. I want to just talk a little bit about the Internet
4 server farm industry and the consequences of -- of the
5 type of presentation you're making and the proposal you
6 are.

7 An example of a company that would be an
8 Internet farm -- servers farm would be Google, correct?

9 MR. ROBIN WIENS: Yes.

10 MR. JOHN LANDRY: And, sir, assuming for
11 the moment so we don't get into a debate again -- that
12 Google is an Internet servers farm industry and does not
13 meet the test as you didn't think it might, then
14 presumably if Google came to Manitoba they would -- they
15 would have to pay the higher rate if this proposal was
16 agreed to, correct?

17 MR. ROBIN WIENS: If they didn't meet the
18 test, and if this proposal was agreed to, then it follows
19 that they would pay the higher rate.

20 MR. JOHN LANDRY: Right, and you're ex --
21 reasonable expectation is that Internet server farms,
22 without other information that you didn't have, would not
23 meet the test, right?

24 MR. ROBIN WIENS: That would be my
25 expectation based on the information here.

1 MR. JOHN LANDRY: And assuming that was
2 the case then using again Manitoba Hydro's words Google
3 would not be a economically advantageous industry for
4 Manitoba?

5 MR. ROBIN WIENS: Based on the
6 information that we had available, that's correct.

7 MR. JOHN LANDRY: Now, sir, are you aware
8 now that other jurisdictions in North America don't seem
9 to have the same view of Google as -- as you at Manitoba
10 Hydro do?

11 MR. ROBIN WIENS: Sorry, could you repeat
12 please?

13 MR. JOHN LANDRY: I'd ask the reporter to
14 read that back, but I think I won't do that.

15 Sir, based on information that you're now
16 aware of would you agree that other jurisdictions in
17 North America actually don't have the same view of
18 Internet server firms, more particularly Google, as
19 Manitoba Hydro seems to have?

20 MR. ROBIN WIENS: I -- I can't -- I can't
21 agree or disagree with that.

22 MR. JOHN LANDRY: Okay. Well then, let's
23 take you to the record, sir. If you could go to MIPUG
24 Exhibit Number 10, Tab 11?

25 Do you have that, sir?

1 MR. ROBIN WIENS: Yes, I do.

2 MR. JOHN LANDRY: And that's

3 MIPUG/Manitoba Hydro-1-37 Sub B, correct?

4 MR. ROBIN WIENS: Yes.

5 MR. JOHN LANDRY: And in the -- in the
6 question there is reference to -- confirming that Google
7 recently announced it would locate a server firm in Iowa?

8 MR. ROBIN WIENS: Yes.

9 MR. JOHN LANDRY: And there's a reference
10 to a -- to an article there -- a website article,
11 correct?

12 MR. ROBIN WIENS: Yes.

13 MR. JOHN LANDRY: And the website
14 article, for your information for completeness of the
15 record, is attached in the next page?

16 Do you see that?

17 MR. ROBIN WIENS: I see it.

18 MR. JOHN LANDRY: Yeah, and presumably
19 Manitoba Hydro, when they received this Information
20 Request, would have obviously looked at that -- at that
21 article?

22 MR. ROBIN WIENS: Yes, we looked at it.

23 MR. JOHN LANDRY: Yeah, and, sir, I'm
24 going to start with a fairly broad statement, and we'll
25 see where we can go with this, but would you -- would you

1 agree with this proposition that Iowa, unlike Manitoba
2 Hydro seems to have welcomed Google with open arms?

3 MR. ROBIN WIENS: That appears to be the
4 case, yes.

5 MR. JOHN LANDRY: Okay. And -- and
6 they're not the only jurisdiction that has done that in
7 North America, is that correct?

8 MR. ROBIN WIENS: I'm not aware of where
9 they've located their facilities, but I'm assuming that
10 yes, they do have other facilities elsewhere in North
11 America.

12 MR. JOHN LANDRY: How about North
13 Carolina? Are you aware of that one?

14 MR. ROBIN WIENS: No, I'm not.

15 MR. JOHN LANDRY: Okay. And, sir, what
16 this article says and -- and again please read the entire
17 article if I -- in case -- I may not have it completely
18 accurate, but as I understand what this basically is
19 saying is that there's going to be in the ballpark of
20 \$500 million investment into Iowa by Google going there?

21 MR. ROBIN WIENS: Sure.

22 MR. JOHN LANDRY: And, sir, that they are
23 going to be creating two hundred (200) full-time jobs?

24 MR. ROBIN WIENS: I see that.

25 MR. JOHN LANDRY: And, sir, that they

1 have an agreement with the electrical provider for
2 electrical rates for a long period of time?

3 MR. ROBIN WIENS: I think I recall seeing
4 that, yes.

5 MR. JOHN LANDRY: And that in addition to
6 electrical rates, that also the local jurisdictions have
7 -- have provided property tax rebates and that type of
8 thing, other subsidies?

9 MR. ROBIN WIENS: I don't recall it, but
10 I'll accept that.

11 MR. JOHN LANDRY: So, sir, again it's
12 somewhat surprising to me, and I'll -- I'll ask you the
13 question, but I take a look at this. I take a look at
14 your proposal, and what your proposal is telling to me
15 and please correct me if I'm wrong that from Manitoba
16 Hydro's perspective, Google coming to Manitoba, and let's
17 take Brandon since we talked about Brandon, with \$500
18 million worth of investment and two hundred (200) jobs is
19 not, and I'll use your expression, an economically
20 advantageous industry.

21 Is that a fair statement?

22 MR. ROBIN WIENS: But we don't know what
23 they would be bringing. We can't really tell from this
24 article what they brought to Counsel Bluffs, Iowa or what
25 rate they're paying.

1 MR. JOHN LANDRY: Do you think it would
2 be a good signal to Google that instead of paying the
3 embedded cost rate which is the rate that you have
4 charged all your industrials until the date of this
5 proposal, do you think it would be a good signal to them
6 that you've decided you're going to go to marginal costs?

7 MR. ROBIN WIENS: I expect it likely
8 wouldn't be a good signal to them that -- that there's --
9 there's a higher rate in place if they were looking at
10 the possibility of a lower one.

11 MR. VINCE WARDEN: I expect though that
12 the people at Google are astute enough to know that
13 there's certain criteria that if they come to Manitoba,
14 if they met those criteria, they wouldn't be paying the
15 higher rate.

16 MR. JOHN LANDRY: I'll take that for what
17 it's worth, Mr. Warden, thank you.

18 MR. VINCE WARDEN: You're welcome.

19 MR. JOHN LANDRY: Now, just if I can, a
20 couple of more questions before we break, if that would
21 be okay, Mr. Chairman? I was just sort of near the end
22 of this.

23 I'm going to give you another proposition,
24 sir, because I -- I must say I'm having some difficulty
25 with the -- with the -- some of the approaches that

1 you're taking in this. And I just want to give you a
2 chance to comment on one that -- that sort of hit me.
3 Maybe I'm too BC focussed, and if I am, you just tell me,
4 okay?

5 But here's my -- my question. I want to
6 give you an assumption. If there's an energy intensive
7 industry which did not meet the exemption criteria, okay,
8 under your proposal -- for example, under the incremental
9 direct payroll criteria, they had two point five (2.5)
10 instead of three (3), okay? And under the incremental
11 direct payroll plus con -- you know, plus tax and all
12 that thing, it was three point five (3.5) instead of four
13 (4). That's the assumption I'm going to give you, okay?

14 And they infor -- they came to Manitoba
15 Hydro, and they inform Manitoba Hydro that they were
16 willing to locate in a First Nation community in Manitoba
17 that had a significantly high unemployment rate.

18 Would Manitoba Hydro take the position
19 that that is not, and I use your words, an economically
20 advantageous industry for the Province of Manitoba?

21

22 (BRIEF PAUSE)

23

24 MR. VINCE WARDEN: Mr. Landry, our -- the
25 proposal we put forward does allow some room for

1 judgment. And I think in the -- in the hypothetical that
2 you put forward there would be some judgment exercised.

3 MR. ROBERT MAYER: As long as it wasn't
4 one (1) of the four (4) diesel communities at this point.

5

6 CONTINUED BY MR. JOHN LANDRY:

7 MR. JOHN LANDRY: And -- and the judgment
8 you would exercise, sir, would be Manitoba's judgment,
9 and they could conclude that that was an economically
10 advantageous industry and provide the embedded cost rate
11 to that company?

12 MR. VINCE WARDEN: You said Manitoba, but
13 I -- I assume you mean Manitoba Hydro. But actually I
14 think Manitoba would be involved in such a decision.

15 MR. JOHN LANDRY: But my point to you --
16 sorry, and I apologize, that was my mis -- I misspoke.

17 You would -- Manitoba Hydro would make
18 that determination with that customer and conclude that
19 it was economically advantageous and therefore give them
20 the embedded cost rate.

21 Is that what you'd say?

22 MR. VINCE WARDEN: Well, I think there's
23 a lot of assumptions being made, and I think also the --
24 the Public Utilities Board would have a role in that
25 decision.

1 MR. JOHN LANDRY: In any event, sir,
2 would you at least agree with me that based on the cri --
3 and I've asked Mr. Wiens this and see if he was involved
4 in the criteria -- at least in the -- on my assumptions,
5 where they didn't meet the criteria, at least that
6 customer would not at first blun -- at first indications
7 be entitled to the embedded cost rate?

8 MR. ROBIN WIENS: Based on a strict
9 application of what you have here, I -- I think that
10 would be correct. But as Mr. Warden has correctly
11 stated, you've made some rather -- you've taken some
12 assumptions that go beyond that, and those assumptions
13 would have to be considered.

14 And in fact the terms and conditions allow
15 Manitoba Hydro to consider what -- those types of
16 circumstances.

17 MR. JOHN LANDRY: So everybody -- all
18 customer groups that are going to come to you are going
19 to have to advocate your -- their position, independent
20 of the criteria, on their indirect impact.

21 And if you think that perhaps, maybe, that
22 they are bringing more economic benefits than you have
23 determined under your criteria, you might bring it back
24 to the Utility Board to determine that?

25 Is that -- is that your point?

1 MR. ROBIN WIENS: Yes, it is.

2 MR. JOHN LANDRY: Now, sir, let me ask
3 you this. If I'm an industry trying to locate in
4 Manitoba and I'd like to know what my rates were going to
5 be for the next twenty (20) years, how do I deal with
6 something like that?

7 Do I have to come and discuss with you
8 before I decide to locate whether or not I'm going to be
9 able to advocate the position in such a way that you're
10 going to bring it back to the Public Utility Board?

11 MR. ROBIN WIENS: I think that's quite
12 correct, that we would -- that if someone were interested
13 in locating in Manitoba -- and those discussions go on
14 today.

15 I mean, with -- in the absence of this
16 proposal or even if this proposal were never -- never to
17 be taken anywhere, industry comes and talks with the
18 Province of Manitoba, and sometimes Manitoba Hydro is
19 involved with those discussions. And -- and that type of
20 -- those types of matters do get discussed.

21 MR. JOHN LANDRY: Sir, the difficulty I
22 have is when that person -- when that industry looks at
23 British Columbia, they can look at a rate that they're
24 going to be subjected to.

25 What you're telling me is that this person

1 that?

2

3

(BRIEF PAUSE)

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CONTINUED BY MR. JOHN LANDRY:

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THE CHAIRPERSON: Anyway, Mr. Landry,
does a break seem suitable --

MR. JOHN LANDRY: Just -- just -- one fol
-- one follow-up question. Sir, apropos the Vice Chair's
question, let me -- let me put it in a little bit more
perspective.

Let's assume that it's a, you know, a -- a
-- industry, a mine coming to Manitoba. Okay? Somebody
wants to invest into the mining industry in Manitoba.
And let's assume they are in the -- somewhere where --
where the -- where they'll have impact from the rate.
Let's start with 78 gigawatt hours, something I'm a
little familiar with.

Again, they would effectively be required
to come to you to advocate their position before -- if
they did meet the technical criteria that is set, they'd
have to advocate your position before they'd know whether
they're entitled to the embedded cost rate, right?

MR. ROBIN WIENS: That's correct, yes.

1 MR. JOHN LANDRY: Those are all the
2 questions I have, Mr. Chairman. I apologize for going a
3 little bit longer than I said I would.

4 THE CHAIRPERSON: Oh, no problem, Mr.
5 Landry. Okay, we will have the break. We will come back
6 at 3:00.

7

8 --- Upon recessing at 2:46 p.m.

9 --- Upon resuming at 3:03 p.m.

10

11 THE CHAIRPERSON: Okay. Welcome back,
12 everyone.

13 Mr. Landry...?

14

15 CONTINUED BY MR. JOHN LANDRY:

16 MR. JOHN LANDRY: Thank you, Mr. Chair. I
17 just want to do a couple of follow-up questions, Mr.
18 Wiens, on -- on the exchange that we had near the break.

19 As I understand what you're saying and
20 what your colleague Mr. Warden is saying, that in certain
21 circumstances, when there is benefit to the province
22 that's not otherwise picked up in the criteria, then you
23 may, I guess, come back to the Board.

24 Is that what it is?

25 MR. ROBIN WIENS: Yes.

1 MR. JOHN LANDRY: Sir, I mean, I will no
2 doubt take a fairly strong position in that in argument.

3 But just for -- from a technical point of
4 view, sir, I'm looking at Exhibit 10, MIPUG Exhibit 10,
5 Tab 4 and Tab 5.

6

7 (BRIEF PAUSE)

8

9 MR. JOHN LANDRY: Do you have that, sir?

10 MR. ROBIN WIENS: Yes, I do.

11 MR. JOHN LANDRY: And -- and just so I'm
12 clear, Tab 4 is what I would term as the rate schedule in
13 relation to the -- this -- this proposal?

14 MR. ROBIN WIENS: Yes, it is.

15 MR. JOHN LANDRY: And Tab 5 is the
16 exemption criteria that you're asking the Board to
17 approve?

18 MR. ROBIN WIENS: Yes, it is.

19 MR. JOHN LANDRY: Sir, could you point
20 out to me anywhere in either of those two (2) documents,
21 which will effectively be the rate schedule and the
22 criteria, that it gives Manitoba Hydro the capability to
23 do what you just said you could do?

24

25 (BRIEF PAUSE)

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MR. ROBIN WIENS: Specifically, Mr. Landry, there is nothing that says specifically we will do that. However, I think if you go to the bottom of the exhibit at Tab 5, the last two (2) points there I think would provide some opportunity to consult.

MR. JOHN LANDRY: Sorry, maybe you could be a little -- a little bit more clear to me, because I'm not sure I understood what you just said. The bottom of -- I'm at Tab 5.

Did you say Tab 5, sorry?

MR. ROBIN WIENS: Yes, I did.

MR. JOHN LANDRY: I'm sorry, sir, I -- maybe I'm -- maybe I'm thick, but I don't see any possible interpretation of two (2) and three (3) that would suggest that there is this exception that in extenuating circumstances you could come back to the Board if it was felt that you didn't meet the tests but you were providing -- are you with me, sir?

MR. ROBIN WIENS: Well, what is -- what is provided here is -- is scope for review.

MR. JOHN LANDRY: So you're saying you're -- Manitoba Hydro interprets that provision to allow it to have an advocacy session with a -- with a customer to say that, Although you don't meet the test, you could go

1 to the Utility Board to -- to determine whether or not
2 you're subjected to the rate?

3 MR. ROBIN WIENS: I -- I think it opens
4 the door to that, and if you go further into Tab 6 --

5 MR. JOHN LANDRY: Well, that --

6 MR. ROBIN WIENS: -- which was the
7 discussion document.

8 MR. JOHN LANDRY: Let's -- clear. The
9 Tab 6 is not something you're asking this Board to
10 approve, correct?

11 It's not a rate. It's not a -- it's not
12 the exemption criteria. It's not going to be part of the
13 rate schedule, correct?

14 MR. ROBIN WIENS: But I think it's docu -
15 - it's providing documentation that underlies how the
16 rate would be administered.

17 MR. JOHN LANDRY: Is it going to be -- is
18 it going to be in your rate schedules that would be
19 publicly available to the people who are looking to the
20 Province of Manitoba to bring industry to this province?

21 MR. ROBIN WIENS: Ultimately it could be,
22 yes.

23 MR. JOHN LANDRY: No, my question is:
24 Will it be in the publicly available information -- but
25 no, let me -- let me go back a step.

1 What is it that you're specifically asking
2 this Board to approve? As I understand, what you're
3 specifically asking this Board to approve is Tab 4 and
4 Tab 5. Am I right?

5

6 (BRIEF PAUSE)

7

8 MS. SUSAN PROVEN: Can I just interject?
9 I'm looking at Tab 4, and I'm noticing under the notes,
10 Number 2 note says:

11 "An exemption -- an exemption from
12 application of the higher rates may be
13 provided where verifiable economic
14 benefits of the new load or expansion
15 are expected to be significant relative
16 to the rate benefits being sought."

17 Would that allow some...

18

19 CONTINUED BY MR. JOHN LANDRY:

20 MR. JOHN LANDRY: Well, thank you for
21 that, but I -- I took that -- and maybe Mr. Wiens and Mr.
22 Warden can tell me otherwise. I took that as referencing
23 the actual exemption criteria that are in Tab 5. Now, if
24 -- I could be wrong though, that's a -- it's a worthwhile
25 question.

1 I'm trying to figure out if I'm a new
2 customer and I'm looking at Manitoba Hydro -- or -- or
3 Manitoba as a place to -- to go, the place that I
4 normally tell my clients to go is the rate schedules that
5 were approved.

6 And I'm trying to find out, in what you're
7 asking this Board to approve, where it has this
8 exceptional capability to go back to the Board if you
9 haven't met the test. That's what -- that's all I'm
10 looking for.

11 And -- and you know, maybe we can agree to
12 disagree, but I sure didn't see it in sub (2) and sub (3)
13 at the bottom of the first page of Tab 5.

14

15 (BRIEF PAUSE)

16

17 MR. VINCE WARDEN: Mr. Landry, what we
18 have at Tab 4 is -- is the rate, as you pointed out. And
19 this is what we have filed for -- requesting approval of
20 this Board.

21 At Tab 5 are the exemption criteria, which
22 are going to be the subject of a further proceeding.

23 And if -- if our intent, which was
24 referenced by Mr. Wiens in Tab 6, is not clear, then
25 perhaps we have to make that clearer in our exemption

1 criteria when we have that next proceeding.

2 MR. JOHN LANDRY: Well, I -- I don't want
3 to, again, quibble too far.

4 So -- but would you agree with me this,
5 sir? You can read it as well as I do. There's
6 absolutely nothing in Tab 5 that would suggest that you
7 had that exceptional capability.

8 Would that be --

9 MR. VINCE WARDEN: Well, all --

10 MR. JOHN LANDRY: -- fair?

11 MR. VINCE WARDEN: -- all we can do is --
12 is provide to you what our intent is. And if it's not
13 clear, as I mentioned, we will make that clearer when we
14 have that next opportunity.

15 MR. JOHN LANDRY: I guess I understand
16 your answer.

17 Mr. Wiens, would you agree with this
18 proposition, sir, that the industrial rate proposal has
19 the capability of resulting in Manitoba Hydro having an
20 impact in the markets that certain of your customers are
21 in?

22

23 (BRIEF PAUSE)

24

25 MR. ROBIN WIENS: Yes, it may have that

1 potential.

2 MR. JOHN LANDRY: As we've said on a
3 couple of occasions, they're required to buy electricity
4 from you, the industrials.

5 They're not entitled to go out to the
6 marketplace to buy their power, correct?

7 MR. ROBIN WIENS: Correct.

8 MR. JOHN LANDRY: And there is a
9 capability where you could have one in a -- industry
10 participant have one rate and another industry
11 participant have a different rate, agree?

12 MR. ROBIN WIENS: Yes, I think there is
13 that potential.

14 MR. JOHN LANDRY: Yeah. And you'll at
15 least, I hope, go this far with me.

16 You'll agree that that is a classic rate
17 discrimination?

18

19 (BRIEF PAUSE)

20

21 MS. PATTI RAMAGE: At that point what
22 you're asking Mr. Wiens to answer was perhaps something
23 more appropriate in argument, and it certainly has legal
24 implications. So what I would -- ask Mr. Wiens not to
25 answer that question.

1 MR. JOHN LANDRY: I'm not asking for a
2 legal interpretation. I'm asking for the position of BC
3 Hyd -- or of Manitoba Hydro.

4

5 (BRIEF PAUSE)

6

7 MS. PATTI RAMAGE: Mr. Chair, I do think
8 it is a -- a legal question. Mr. Wiens, I -- I don't
9 have an issue with ultimately answering it, but it -- it
10 is a legal question that in order for Mr. Wiens to
11 answer, we would want to clarify what circumstances those
12 customers are coming in.

13 I would want it clear that the question
14 he's answering is if customers in the same circumstances,
15 whether in the same circumstances they'll be charged the
16 same rate, it.

17 THE CHAIRPERSON: I think it makes the --
18 the panel uncomfortable to answer without at least giving
19 it some more thought. I think you can form your own view
20 as to whether or not it is a discriminatory act or not.

21

22 CONTINUED BY MR. JOHN LANDRY:

23 MR. JOHN LANDRY: Maybe I'll try it a
24 different way. And -- and Mr. Chair, if -- if you're
25 uncomfortable with the way I'm going to ask this

1 question, just tell me and I'll -- I'll try it again.

2 But would you at least agree with me this,
3 sir, that if you had two (2) industry participants
4 competing against each other, one (1) with one (1) rate
5 and one (1) with the other, that there is discrimination
6 between the two (2)?

7 Would you agree with that?

8 MR. ROBIN WIENS: Well, in the narrow
9 sense that they're paying a different rate, there is
10 discrimination whether that is legal type of
11 discrimination I -- I'm not going to respond to at this
12 point, but they're paying different rates, that's clear.

13 MR. JOHN LANDRY: I -- I'm not ask --
14 please believe me when I tell you I'm not asking you for
15 a legal interpretation. I'm sure the Board will hear
16 plenty of that when the time comes. I'm asking for
17 Manitoba Hydro's position.

18 THE CHAIRPERSON: But surely just
19 speaking in the normal parlance, I mean the whole point
20 presumably of their proposal was -- is to discriminate
21 between applications to receive power.

22 MR. JOHN LANDRY: I would have thought
23 that was the -- that was the answer, but I'm having some
24 difficulty.

25 MS. PATTI RAMAGE: I think the problem is

1 in the question. Are you saying two (2) companies with
2 exactly the same circumstances paying different rates?
3 That's the key. And I'm not hearing from you that those
4 companies are the same circumstances or not.

5 And so for Mr. Wiens to answer that
6 question, unless that's clarified, if it's two (2)
7 companies with the same number of jobs, with the same
8 inputs into the province paying different rates, I think
9 you would get an answer from Mr. Wiens.

10 But the question is not clearly enough put
11 in order to -- to ask what may on the face be a fairly
12 straight forward answer, but I'm concerned about where
13 you could go with an answer without those sort of --
14 without understanding what's behind the meaning of two
15 (2) companies in the same industry.

16 THE CHAIRPERSON: Ms. Ramage makes a good
17 point.

18 Mr. Landry...?

19

20 CONTINUED BY MR. JOHN LANDRY:

21 MR. JOHN LANDRY: Mr. Chair, I'm quite
22 willing to go on using an example as opposed to getting
23 into debate because the time is running on this.

24 So let me try this, would you agree with
25 this -- without trying to go over into this area that we

1 seem to be having some difficulty in -- would you agree
2 that there is an advantage to existing customers, no
3 matter how much economic benefit they have brought to the
4 province, that are at say the 80 gigawatt hour range over
5 a new customer coming into the province at that -- at
6 that level?

7 MR. ROBIN WIENS: Yes, there's an
8 advantage to the existing customer.

9 MR. JOHN LANDRY: Thankfully we got that
10 answer, okay.

11 What I'd like to do is go over a couple of
12 examples with you, Mr. Wiens. And if you could go to Tab
13 18, MIPUG Exhibit Number 10.

14 And having been through these processes
15 before, I do understand the examples game, okay, in the
16 sense that I understand that we can always come up with
17 examples but the difficulty of course that I'm trying to
18 get to is what this -- what -- what this rate is saying
19 to potential new customers, just so you understand where
20 I'm going, okay?

21 So if you could take a look at the --
22 there's three (3) examples at Tab 18. And, Mr. Wiens, I
23 don't know if you've had a chance to look at these
24 examples.

25 MR. ROBIN WIENS: I've had a brief look

1 at them. We can try this.

2 MR. JOHN LANDRY: Okay, let's try it and
3 see how far we get. And if we don't get very far it'll
4 probably end up in argument anyway. So I'd -- I'd like
5 to at least give you an opportunity to -- to comment on
6 it.

7 So, as you can see just in terms of what
8 we've attempted to do with this -- this document is we've
9 effectively put the baseline up top for both the existing
10 -- in this case the existing and the -- and the new
11 customer.

12 We've tried to deal with exemption in the
13 next part of the document whether exemption applied or
14 not, just to see what effectively the -- you know, like
15 an existing customer, if there was an extension, just to
16 get used to what we're doing in all three (3) of the
17 examples and then we go down to the rate and bill.

18 And you understood that's what we're
19 attempting to do?

20 MR. ROBIN WIENS: Yes.

21 MR. JOHN LANDRY: Okay. And -- and
22 really what we're talking about here is -- in the
23 scenario we're talking about -- and I'm just trying to
24 see that the -- the competitive distinction that would
25 occur between two (2) customers, and again, on my

1 assumption, competing in the same market. Okay, that's
2 where I'm trying to go on this.

3 So if we start with the baseline what we
4 have is a new customer that starts out at 39 gigawatt
5 hours and grows to 78. Do you see that?

6 MR. ROBIN WIENS: An existing customer
7 that starts at thirty-nine (30) and goes to seventy-eight
8 (78).

9 MR. JOHN LANDRY: I -- I apologize, it's
10 getting late. An existing customer goes from thirty-nine
11 (39) to seventy-eight (78).

12 MR. ROBIN WIENS: Yes.

13 MR. JOHN LANDRY: And -- and under the
14 proposal as it exists, all 78 gigawatt hours would be
15 under the new -- sorry, under the embedded cost rate, the
16 heritage rate.

17 MR. ROBIN WIENS: Yes.

18 MR. JOHN LANDRY: And notwithstanding the
19 fact that the incremental expansion that we're talking
20 about here wouldn't meet your criteria, that wouldn't be
21 relevant, right, for this -- for this existing customer?

22 MR. ROBIN WIENS: Well, the cus -- the
23 customer is within the growth allowance that's described
24 in the rate.

25 MR. JOHN LANDRY: Okay. And -- and if

1 you take that all the way down using the assumptions we
2 have here, effectively, the total cost at the end of the
3 day would be approximately \$2 1/2 million?

4 MR. ROBIN WIENS: One thing I haven't
5 done is verified the math, but I'm going to accept that.

6 MR. JOHN LANDRY: Subject to check?

7 MR. ROBIN WIENS: I'm going accept that.

8 MR. JOHN LANDRY: And -- and just so you
9 know, sir, I haven't either. But I understand that this
10 is the right -- the right number. But subject to check,
11 \$2 1/2 million.

12 And then, so then we go to the right-hand
13 side. Now it's a new customer.

14 So the new customer under the new proposal
15 coming in at 78 gigawatt hours a year, he would at least
16 get 39 gigawatt hours under the new proposal, correct, at
17 the heritage rate?

18 MR. ROBIN WIENS: That's right.

19 MR. JOHN LANDRY: But the balance of the
20 thirty-nine (39) he would not get, so that the balance of
21 the thirty-nine (39), that industry would have to pay if
22 he didn't meet the exemption criteria, the second-tier
23 rate?

24 MR. ROBIN WIENS: That's correct.

25 MR. JOHN LANDRY: And as you can see

1 here, using the same type of analysis, we've done it in
2 such a way that they just barely fail the exemption
3 criteria, but they do fail the exemption criteria.

4 Therefore, it would subject -- subject
5 them to the -- the new rate?

6 MR. ROBIN WIENS: Yes.

7 MR. JOHN LANDRY: For the 39 gigawatt
8 hours?

9 MR. ROBIN WIENS: Yes.

10 MR. JOHN LANDRY: And -- and again
11 subject to check, sir, the -- the rate that comes out at
12 the end of the day -- or the total is \$3.8 million.

13 Do you see that?

14 MR. ROBIN WIENS: I do.

15 MR. JOHN LANDRY: So in the context, all
16 other things being equal, potentially you could have a
17 situation where a new industry participant could come
18 into the -- to Manitoba, be competing with a existing
19 customer, and they would have fairly material difference
20 in electrical rates, same loads?

21 MR. ROBIN WIENS: Yes, I can see that,
22 yes.

23 MR. JOHN LANDRY: And would you -- okay.

24 Sir, the next one I -- the next one I -- I
25 have on -- or we have on -- on page 2 is a -- an 80

1 gigawatt hour industrial load. Again we have existing
2 compared to new, same sort of format.

3 Do you see that?

4 MR. ROBIN WIENS: Yes.

5 MR. JOHN LANDRY: And you've had a quick
6 chance to review that, as I understand it?

7 MR. ROBIN WIENS: Yes.

8 MR. JOHN LANDRY: Now, in this
9 circumstance, again, we have the 80 gigawatt hour who --
10 who, because they're a -- an existing customer, they're
11 in effect grandfathered and get the -- the embedded cost
12 rate, correct?

13 MR. ROBIN WIENS: Yes.

14 MR. JOHN LANDRY: And so we go down,
15 subject to check again, we get ballpark the same, about
16 \$2.5/\$2.6 million in total energy costs?

17 MR. ROBIN WIENS: Yes.

18 MR. JOHN LANDRY: Now we go over to the
19 new customer, who in our -- in our example here, based on
20 assumptions, is competing in the same marketplace as the
21 existing customer and again, using the same employment
22 levels, et cetera, again barely fails the test on the
23 exemption criteria.

24 Do you see that?

25 MR. ROBIN WIENS: Yes.

1 MR. JOHN LANDRY: And that pers -- that
2 industry, assuming they couldn't advocate some better
3 position that we talked about earlier, would have to pay
4 the second-tier rate, correct?

5 MR. ROBIN WIENS: On all their usage,
6 yes.

7 MR. JOHN LANDRY: Yes. And that -- that
8 would then come to, subject to check on the mathematics,
9 come to \$5.2 -- approximately \$5.2 million?

10 MR. ROBIN WIENS: That's right.

11 MR. JOHN LANDRY: Yeah. And you would
12 agree with me, sir, that the -- if this occurred in this
13 type of circumstance, that this -- this could have a
14 dramatic impact -- well, dramatic -- this could have a
15 significant impact in terms of the difference in cost
16 that the existing customer was paying versus the new
17 customer?

18 MR. ROBIN WIENS: Yes, it could have. I,
19 you know, I prefer just to stick objectively with yes,
20 the second customer is paying substantially more.

21 MR. JOHN LANDRY: You wouldn't think that
22 approximately double the electrical rate was -- was a
23 significant competitive difference in a marketplace?

24 MR. ROBIN WIENS: It could be.

25 MR. JOHN LANDRY: And sir, the third

1 scenario with -- is -- is a -- excuse me...

2

3

(BRIEF PAUSE)

4

5 MR. JOHN LANDRY: Sir, I'm now going to
6 the third scenario. And in -- in that scenario I -- I've
7 been told that there is -- there was a bit of a mistake,
8 which mistakes happen. I under -- I do understand that.

9 And if you go down to the -- under the
10 new, sir, under exemption, you'll see --

11 MR. ROBIN WIENS: Well, they're --
12 they're both new.

13 MR. JOHN LANDRY: Oh, they're both new.
14 But sorry, I was thinking of the one on the left-hand
15 side. I apologize.

16 MR. ROBIN WIENS: Sure.

17 MR. JOHN LANDRY: Where it says
18 "exemption not required in this case," that would have to
19 come out, because of course because they're both new, the
20 exemption would kick in, correct?

21 In other words, when I say the exemption
22 kicked in, you'd have to look at the exemption criteria
23 to see if they met it?

24 MR. ROBIN WIENS: You -- you know, until
25 you pointed that out to me, Mr. Landry, I hadn't even

1 seen it.

2 MR. JOHN LANDRY: Okay. Somebody beside
3 me was being very exact. You wouldn't be surprised about
4 that would you?

5 Sir, this is an -- an example. I just
6 want to look at the potential consequences of the type of
7 thing that you're talking about here. So let's just
8 follow it through.

9 On the -- on the left hand side, the new
10 one (1) is as -- is purported to be a large steel mill
11 which does 300 -- or sorry, yeah, 372 gigawatt hours a
12 year and it provides four hundred and fifty (450) jobs.
13 And you'll see, if you go down there, that when you take
14 that all the way through, what will happen is that it
15 fails each of the exemption criteria.

16 Do you see that?

17 MR. ROBIN WIENS: Yes, again I accept
18 that.

19 MR. JOHN LANDRY: Yeah.

20 MR. ROBIN WIENS: Subject to...

21 MR. JOHN LANDRY: Subject to check. And
22 then the total energy cost becomes the -- the \$24 million
23 and an average rate of six point six (6.6) cents per
24 kilowatt hour.

25 MR. ROBIN WIENS: Yes.

1 MR. JOHN LANDRY: Yeah. Now just to see
2 the -- the dramatic difference that can -- something can
3 happen here, if you look at the right hand side now,
4 again same assumptions, 50 megawatts, 372 gigawatt hours
5 per year, but this time we have five hundred and fifty
6 (550) jobs.

7 Do you see that?

8 MR. ROBIN WIENS: Yes.

9 MR. JOHN LANDRY: Same assumptions for
10 the pay and all of that sort of thing except for we're --
11 we're now dealing with five hundred and fifty (550) jobs.
12 And you'll see that it goes down, and it -- and it does
13 pass two (2) of the -- two (2) of the criteria tests that
14 you've established.

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

16 MR. JOHN LANDRY: And subject to check --
17 subject to check, you'll -- you'll agree with that
18 calculation at least.

19 MR. ROBIN WIENS: Yes, same as before.

20 MR. JOHN LANDRY: Yes. And then you go
21 down and you see that the effect of that is that they, in
22 effect, get the Heritage -- Heritage rate.

23 MR. ROBIN WIENS: Yes.

24 MR. JOHN LANDRY: And the total cost then
25 becomes approximately \$12 million.

1 Do you see that?

2 MR. ROBIN WIENS: I see that.

3 MR. JOHN LANDRY: An average rate of
4 about three point two (3.2) cents.

5 MR. ROBIN WIENS: Yes.

6 MR. JOHN LANDRY: Now what -- what's
7 intriguing about this possibility it seems to me, sir, is
8 that where you have a hundred (100) jobs, the additional
9 hundred (100) jobs which if we look at what a hundred
10 (100) jobs will bring in terms of the incremental pay,
11 it's ballpark I think \$7.5 million -- yeah, \$7.5 million
12 and yet the -- the result on the bottom line in terms of
13 electrical costs is that there's over \$12 million of
14 savings that they get from the Heritage rate.

15 MR. ROBIN WIENS: I see that.

16 MR. JOHN LANDRY: See that? Now assuming
17 this to be correct, isn't that a bit of an anomaly that
18 you should be looking at to ensure doesn't occur?

19 MR. ROBIN WIENS: Well, it's of the --
20 it's of the sort of thing that's going to happen when you
21 draw a bright line at a -- a specific location and one --
22 one can find examples like this, and it's arguable that
23 we maybe want to go back and take a look at this thing.

24 But on the other hand, it's -- it's
25 illustrative of a point that my colleague -- one (1) of

1 my colleagues keeps insisting is that we're hopeful that
2 this rate is going to encourage potential customers if
3 they're coming to bring more value-added jobs into the
4 province and, therefore, qualify as -- as getting energy
5 or some energy anyway under the -- under the embedded
6 cost rate.

7 So it -- it does appear on the face of it
8 to be an anomalous result, but on the other hand, getting
9 the additional jobs is -- is the result that we're
10 looking for.

11 MR. JOHN LANDRY: What happens, sir, can
12 you -- can you answer this question for me? Using this
13 example, what would happen if a year after the -- the --
14 let's assume it's a steel mill. We all know what steel
15 markets can do -- a year after, they lay off a hundred
16 (100) people. Would the person -- would -- would they
17 then have to go back to the higher rate?

18 Have you thought about that consequence?

19 MR. ROBIN WIENS: If we could satisfy
20 ourselves, Mr. Landry, that this was a legitimate
21 response to a change in the economic conditions, the
22 inclination might be to request that the embedded cost
23 rate keep being applied. If it was apparent or became
24 apparent that this was just -- this was a permanent
25 reduction in the number of jobs, we might look at it in

1 the other way.

2 MR. JOHN LANDRY: So, again, sir, I --
3 I'm not being difficult. I'm trying to deal with what I
4 know is a very difficult problem, okay.

5 Where, in the exemption criteria or in the
6 rate that you're being that being requested, do I find
7 what you just said? I don't see it. Am I wrong?

8 MR. ROBIN WIENS: The answer would be
9 somewhat similar to what we discussed before. This -- I
10 believe is in the discussion paper that you have at Tab
11 6.

12 MR. JOHN LANDRY: But not in the
13 criteria, not in the rate that's being proposed?

14 MR. ROBIN WIENS: But not in Tabs 4 and
15 5.

16 MR. JOHN LANDRY: Okay. Sir, I'm going
17 to give you another possibility to the point you just
18 made which by the way I -- I think is valid. Another
19 possibility is when you look at something like this and
20 what you're trying to accomplish and the difficulty that
21 you're all facing.

22 And when I say "you're all facing" I mean
23 utilities across Canada where marginal costs are higher
24 than embedded cost rates, that there are so many examples
25 no matter what the bright line you put in place that the

1 more appropriate thing to do is something like what they
2 did in British Columbia or Quebec.

3 What would you say to that?

4

5 (BRIEF PAUSE)

6

7 MR. ROBIN WIENS: British Columbia, what
8 British Columbia has done is -- is certainly one (1)
9 alternative, but it doesn't address the entire range of
10 issues that Manitoba Hydro's trying to address.

11 As I understand the tiered rate
12 application in British Columbia is that the baseline is
13 dynamic. In other words as the load shifts up, the
14 baseline shifts up so that that type of a rate will, with
15 some degree of efficacy, address the question of an
16 incentive to take an existing plant and make it more
17 efficient.

18 It doesn't address the locational or
19 expansion, major expansion issues that Manitoba Hydro was
20 looking at in regard to new load coming on, that is
21 energy intensive, and that is driving up the load and
22 driving up the -- driving up the revenue requirement for
23 all customers.

24 MR. JOHN LANDRY: But, sir, are you --
25 you're not trying to suggest to this Board that British

1 Columbia doesn't have the same issue that Manitoba has in
2 terms of energy-intensive industries potentially coming
3 to the province are you?

4 MR. ROBIN WIENS: I -- in detail I'm not
5 sure exactly how significant that issue is. Yes, they
6 have the same -- they have the same concerns. They've
7 chosen to address it in a different way. We don't
8 believe that effectively addresses the location or
9 expansion decisions but that's the choice that they've
10 made.

11 MR. JOHN LANDRY: Right, and you're not
12 suggesting that Quebec doesn't have the same potential
13 problem of energy-intensive loads coming to the province
14 of Quebec?

15 MR. ROBIN WIENS: I believe that Quebec
16 has -- is faced with the same problem, and they've taken
17 an approach to it that the -- that they've simply taken a
18 certain level of load and said above that level of load
19 Hydro Quebec doesn't have an obligation to serve. That
20 decision's going to be made elsewhere.

21 MR. JOHN LANDRY: By -- by the
22 politicians?

23 MR. ROBIN WIENS: By the politicians.

24 MR. JOHN LANDRY: Sir, I guess my point -
25 - again I go back to it, and I do understand how

1 difficult this issue is and I have been through a few
2 processes where it's been a very rigorous process, okay?

3 My question to you is this. I'm showing
4 you two or three examples. I could probably do another
5 twenty (20), and you know I could probably even do more
6 than that. I'm suggesting to you that it is so difficult
7 to put the bright lines in place that it should lead to
8 the conclusion that the only way that you can deal with
9 this type of thing is the way BC and Quebec have done it,
10 and I assume you disagree with me?

11 MR. ROBIN WIENS: I don't disagree with
12 you about how difficult it is but yes, I do disagree that
13 -- that British Columbia is -- the approach that they've
14 taken is the superior approach.

15 MR. JOHN LANDRY: Would it surprise you,
16 sir, and -- and realizing that the -- the hope and desire
17 is that we're going to have somebody from British
18 Columbia testifying at the next hearing, but would it
19 surprise you to learn that similar type examples were
20 debated in British Columbia like I'm trying to debate
21 with you in Tab -- whatever tab I just referred to here,
22 18?

23 MR. ROBIN WIENS: Well, I'm not familiar
24 with them but no, it doesn't surprise me that that may
25 have happened.

1 MR. JOHN LANDRY: Okay. I'm going --

2 MR. ROBERT MAYER: Mr. Landry, just --

3 just a moment here. Now, maybe I'm misunderstanding what
4 is I believe to be Tab 5 and as I understand it if the
5 Corporation is not satisfied or the new customer is not
6 satisfied with Manitoba Hydro's decision, then that
7 customer has a -- will have a right of appeal to this
8 Board who will then make the determination that you say
9 or that somebody says in Quebec the government will make.

10 So the -- the process here as I understand
11 it substitutes this Board for the Government in Quebec as
12 the decision-maker?

13 MR. JOHN LANDRY: No, I -- I don't know
14 whether you're asking me that question or not but --

15 MR. ROBERT MAYER: No, I'm -- sorry, --

16 MR. JOHN LANDRY: -- but --

17 MR. ROBERT MAYER: I'm -- that -- that's
18 what my reading of the appeal procedure says.

19 MR. JOHN LANDRY: Okay, Mr. --

20 MR. ROBERT MAYER: Item 3.

21

22 CONTINUED BY MR. JOHN LANDRY:

23 MR. JOHN LANDRY: Mr. Warden, perhaps
24 since you are the policy witness as I understand it, do
25 you agree with that that Item 3 on Tab 5 says that if

1 somebody disagrees with the determination that the
2 customer can appeal it and get the Board here to
3 determine that there are more economic benefits being
4 provided to the province than what is required under the
5 criteria?

6 MR. VINCE WARDEN: Well, Mr. Landry, yes,
7 I think I tried to explain to you before the criteria, as
8 they're set out in Tab 5, perhaps don't fully express the
9 intent that we had discussed in Tab 6 and could be
10 perhaps better stated, but I think the intent is just as
11 Mr. Mayer has just --

12 MR. JOHN LANDRY: So --

13 MR. VINCE WARDEN: -- described it.

14 MR. JOHN LANDRY: So -- so just so I
15 understand, sir, that means that any customer that comes
16 to the province of Alberta -- or, sorry, I've got
17 Alberta, British Columbia, Quebec, I got them all going,
18 and I apologize.

19 Any -- any customer that comes to Manitoba
20 has the capability, you say, under the criteria to -- to
21 apply to this Board to say, Look, we don't think that the
22 higher rate should apply to us because notwithstanding we
23 don't meet the criteria. We think that -- that we should
24 get the heritage rate.

25 MR. VINCE WARDEN: Yes, absolutely.

1 MR. JOHN LANDRY: Okay. Sir -- sir, Mr.
2 Wiens, I'm going to refer to this issue that I was
3 talking to you about before about the possibility that
4 there could be a competitive effect in -- in your
5 customer's markets by charging different rates to
6 different customers.

7 You recall our -- our discussion on that?

8 MR. ROBIN WIENS: Yes.

9 MR. JOHN LANDRY: Given the potential
10 discrimination that -- potential discrimination, so I'm
11 not going to go in there yet and fight on the -- on
12 whether it is or it isn't -- did anybody at BC Hydro look
13 at the possible -- or -- or, sorry, Manitoba Hydro, I
14 apologize, Manitoba Hydro look at the possibility whether
15 or not there might be an impact under NAFTA?

16 MR. VINCE WARDEN: Yes. Yes, we did look
17 at that.

18 MR. JOHN LANDRY: You did. Did you look
19 at the -- what the possible impact would be under Chapter
20 11 of NAFTA?

21 MR. VINCE WARDEN: I'm informed, yes, we
22 did look at --

23 MR. JOHN LANDRY: And did --

24 MR. VINCE WARDEN: -- Chapter 11.

25 MR. JOHN LANDRY: And did you look at

1 that before you filed the -- the application or was it
2 after?

3 MR. VINCE WARDEN: Yes, it was after.

4 MR. JOHN LANDRY: After you filed the
5 application?

6 MR. VINCE WARDEN: Yes.

7 MR. JOHN LANDRY: Okay. And, sir, did
8 you look at the possibility that creating two different
9 types of rates for in -- in one customer class that
10 perhaps there might be a potential problem for the -- for
11 certain cust -- certain of your customers in Manitoba
12 exporting product to the United States, i.e., potential
13 countervail petitions in the United States?

14 MR. ROBERT MAYER: The Americans can find
15 all kinds of ways to file countervail petitions whether
16 they have any -- any objective merit or not. And I think
17 we've seen that in softwood lumber, and we've seen it in
18 -- in a number of other issues. I'm not sure where
19 you're going with that, Mr. Landry.

20 MR. JOHN LANDRY: Well, they can be very
21 creative as we've seen in software, however, my question
22 is before they --

23 THE CHAIRPERSON: I think we should hear
24 from Ms. Ramage.

25 MR. JOHN LANDRY: Yeah. Before we -- Ms.

1 -- Ms. Ramage, okay.

2

3

(BRIEF PAUSE)

4

5 MS. PATTI RAMAGE: To -- to be specific
6 in my -- in an answer I would have to -- to review the
7 report that -- and report is the wrong word, the -- the
8 legal opinion, but I can advise that the opinion was
9 provi -- the counsel was provided with the full rate
10 structure and requested for any possible NAFTA
11 implications.

12 And -- and I would have to look at --
13 through the opinion to see the various scenarios that
14 were reported to us.

15 MR. JOHN LANDRY: Mr. Chair, just so
16 somebody doesn't think that I'm trying to go somewhere
17 I'm not entitled to go, I'm not -- I'm not asking -- I'm
18 not asking for advice.

19 MS. PATTI RAMAGE: Yeah.

20

21 CONTINUED BY MR. JOHN LANDRY:

22 MR. JOHN LANDRY: My question is a
23 fairly straight forward question, is: Before the
24 application -- and maybe I should be clear so that it can
25 be left on the record -- before the application was

1 filed, did Manitoba Hydro consider the possibility that -
2 - that because of the rate structure they were applying
3 could have potential ramifications on a countervail
4 petition in -- in -- for -- in the United States for
5 Manitoba customers exporting to the United States.

6 THE CHAIRPERSON: I think they answered
7 that.

8 MR. JOHN LANDRY: Well, that's not NAFTA.
9 I heard "NAFTA" so I'm -- I'm not sure I understand the
10 concept of NAFTA. So NAFTA Chapter 11, I -- I understand
11 what has been said. I'm asking something quite different
12 than that. Let me -- let me --

13 MR. VINCE WARDEN: I think we can answer
14 with respect to the timing. When you -- when we filed
15 the application, we did not take that into consideration.

16
17 CONTINUED BY MR. JOHN LANDRY:

18 MR. JOHN LANDRY: Okay. Have you since
19 taken that into consideration?

20 MS. PATTI RAMAGE: I want to hear the
21 question. I'd like to hear the question. I'm a little
22 uncomfortable in terms of disclosing --

23 MR. JOHN LANDRY: No --

24 MS. PATTI RAMAGE: I'm trying to give you
25 as much as I can here, but I don't want to get into

1 disclosing legal opinions and what issues exactly were
2 canvassed in it?

3 MR. JOHN LANDRY: Nor do I want you to do
4 that, Ms. Ramage.

5 MS. RAMAGE: Yeah.

6 MR. JOHN LANDRY: I'm -- I'm not -- what
7 I am asking is whether or not Manitoba Hydro has taken
8 into account the possibility of a countervail petition
9 being initiated in the United States in relation to
10 product coming from Manitoba because of, in effect, an
11 allegation of subsidy because of the rates, if that helps
12 at all.

13 MS. PATTI RAMAGE: And on that we'll have
14 to -- I -- I would need to review the documentation.

15 THE CHAIRPERSON: Sounds fair.

16

17 CONTINUED BY MR. JOHN LANDRY:

18 MR. JOHN LANDRY: Thank you. Sir, one
19 (1) last question in this area.

20 I'm sure Manitoba Hydro is aware that
21 there's an internal trade agreement being negotiated
22 amongst the provinces?

23 MR. ROBIN WIENS: Yes, I'm aware of it.

24 MR. JOHN LANDRY: And again I'm going to
25 ask the same question, and you can take it under

1 advisement, but did Manitoba Hydro, before it filed its
2 application, look at the ramifications in relation to the
3 energy chapter that's being negotiated under the trade
4 agreement; more importantly the reciprocal provisions
5 that will inevitably find their way into that agreement?
6

7 (BRIEF PAUSE)

8
9 MS. PATTI RAMAGE: Again not before but
10 after.

11 MR. JOHN LANDRY: But after? Okay. I
12 want to switch --

13 THE CHAIRPERSON: Unless we're missing
14 something, I think what we'd be interested in knowing is
15 after you perform these reviews, does your application
16 still stand as is?

17 MS. PATTI RAMAGE: The reviews did not
18 lead us to change the application in any way.

19 THE CHAIRPERSON: Thank you.

20

21 CONTINUED BY MR. JOHN LANDRY:

22 MR. JOHN LANDRY: Now, I want to switch
23 topics here a little bit on the -- I want to go to the
24 exemption criteria itself.

25 And just a few questions on that, sir. I

1 just want to get a bit of clarification, and it relates
2 to -- and for -- for your reference purposes I guess it
3 could -- Tab 5 of Exhibit 10 of MIPUG or I guess Tab 6
4 which is the discussion paper that either one could be
5 used for the purposes of answering this, but I'm trying
6 to understand the debate that you had on the record
7 regarding the issue of affiliates.

8 As I understood this and please just
9 correct me if I'm wrong that -- that the way in which you
10 would determine whether a company was affiliate is if
11 they had the same parent.

12 Is that what I heard? Did I hear that
13 right first of all?

14 MR. ROBIN WIENS: Yes.

15 MR. JOHN LANDRY: And does that require
16 100 percent ownership?

17

18 (BRIEF PAUSE)

19

20 MR. VINCE WARDEN: I expect that we would
21 follow whatever the legal interpretation is of an
22 affiliate, and we -- I would personally have to refresh
23 myself as to exactly what that is.

24 MR. JOHN LANDRY: Well, that one's a
25 tough one to respond to.

1 MR. VINCE WARDEN: That's the way I like
2 it.

3 MR. JOHN LANDRY: I -- I -- that's what I
4 thought actually. Let -- let me -- let me be clear what
5 I'm trying to do here. I'm trying to understand your
6 criteria, and I'm looking at it from the perspective of
7 the new customer coming into the province.

8 And my question to you is: If the parent
9 that we're calling only owns 80 percent of the affiliate.

10 Will they be affiliates for the purposes
11 of the criteria?

12 I'm hearing yes from the back row. Do I
13 get a yes from the front row?

14

15 (BRIEF PAUSE)

16

17 MR. VINCE WARDEN: I think we probably
18 have to fall back on that previous answer that you didn't
19 like. It would depend on what the legal interpretation
20 is of the affiliate.

21 MR. JOHN LANDRY: But -- but, sir, where
22 -- I -- I'll take that to a certain extent, and I
23 understand you don't -- perhaps you don't want to
24 disclose legal affili -- or your -- your legal advice.

25 But, sir, if I'm in the tax realm, I've

1 got affiliate in a Tax Act that I can look at and
2 determine whether I meet or don't meet it. Now I'm in
3 the regulatory realm. I'm told that affiliates are going
4 to be aggregated.

5 Where does this criteria tell me how I
6 determine what that is?

7 MR. VINCE WARDEN: Well I don't think you
8 will find that in the criteria. And that is a definition
9 that we'll have to more fully expand on.

10 MR. JOHN LANDRY: So, sir, do I
11 understand this right? You don't know whether an 80
12 percent ownership would -- would hit the -- hit the
13 target? You -- you don't know that?

14 Nobody in this Manitoba Hydro panel that's
15 asking this Board to approve this rate knows whether or
16 not that's the case?

17

18 (BRIEF PAUSE)

19

20 MR. VINCE WARDEN: I think we've already
21 said that the affiliate definition would depend on the
22 legal definition. Now is there anybody on this
23 particular panel that can provide you with that legal
24 definition? It appears not.

25 MR. JOHN LANDRY: Well, sir, would --

1 would you not agree with me that if I was a new customer
2 coming into Manitoba, I'd like to know whether or not my
3 so-called affiliates are going to be aggregated.

4 Would that be a thing that I should
5 probably look at?

6 MR. VINCE WARDEN: I think when we get to
7 the point of discussing this with customers, we'll
8 definitely have that information for the -- for -- such
9 that the customer can make an informed decision.

10 MR. JOHN LANDRY: But, sir, how -- how
11 can this Board make an informed decision if you don't
12 tell them whether or not an affiliate's an 80 percent
13 ownership, a 90 percent ownership, a 40 percent ownership
14 in a public company or 51 percent ownership?

15 MR. VINCE WARDEN: Well, I think I've
16 already answered that.

17 MR. JOHN LANDRY: How do they do that?

18 MR. VINCE WARDEN: It -- it would depend
19 on the legal definition of an affiliate, which we don't
20 have ready -- we don't readily have that definition at --
21 on this panel.

22 MR. JOHN LANDRY: And you did not have it
23 when you filed this, did you, sir?

24 MR. VINCE WARDEN: Did I personally have
25 that definition at my fingertips? No.

1 MR. JOHN LANDRY: And there's nothing in
2 the record that -- that informs -- informs the
3 stakeholders in this -- in this proceeding as to what the
4 definition of affiliate is, correct?

5 MR. VINCE WARDEN: I don't recall
6 receiving an Information Request on that neither.

7 MR. JOHN LANDRY: That -- that's not my
8 question, sir. My question was pretty straightforward.
9 We can dance all afternoon.

10 My question is, is there anything on the
11 record that defines affiliate?

12 MR. VINCE WARDEN: There is nothing on
13 the record that defines affiliate.

14 THE CHAIRPERSON: Rather than carrying on
15 this line, I am wondering whether it wouldn't make more
16 sense if Hydro just took it as an undertaking to provide
17 a description of affiliate relations.

18 MR. JOHN LANDRY: Mr. Chair, I -- I mean
19 obviously if -- if you -- if you feel that that would be
20 help for the Board, that's -- that's -- I don't have any
21 difficulty with that.

22 But what I would like to make it a point
23 on the record is Manitoba Hydro has come forward to you
24 as a Board to make a very import decision. And what this
25 type of -- these type of answers are saying to me is they

1 weren't ready.

2 And I just want to make that point on the
3 record --

4 MS. PATTI RAMAGE: Mr. Chair, before this
5 goes on, this sounds like argument, and I don't think
6 it's appropriate at this point to be submitting argument
7 to the Board.

8 MR. JOHN LANDRY: With all -- with all
9 due respect, I think it is argument relative to the -- to
10 the undertaking that you -- you were requesting of the
11 Board. But if the Board feels that it's helpful, as
12 MIPUG has said all along, they're more than willing to
13 allow the Board to have whatever information that is
14 helpful to the Board.

15 THE CHAIRPERSON: I am just thinking to
16 myself while the panel is there, they are not quite sure
17 of exactly what questions that are going to come at them.
18 They come at them from a variety of different areas and
19 different depths.

20 And it seems a reasonable thing to do, to
21 ask them to undertake to provide us with their definition
22 of an affiliate that they would tend to use under this
23 proposal they put before us.

24 MR. JOHN LANDRY: And as I said, Mr.
25 Chairman, if -- if that's something that you would find

1 helpful, I have no difficulty with that. But I -- I put
2 my point on the record.

3 MR. ROBERT MAYER: Mr. Landry, I think
4 you probably have seen the discussion. We -- we had an
5 earlier discussion on the issue of affiliates, and it
6 became fairly obvious that it was pretty loosey-goosey at
7 this point.

8 And quite frankly, sir, if you look at
9 this Board's decision with respect to the motion, the
10 Board had some concern with the criteria as it was set
11 out. And that is why we allowed that motion, in part, to
12 put the -- the criteria issue over to a further hearing.

13 We recognize there are some problems. We
14 recognize that what we had before us, especially with
15 respect to the criteria, came firstly incomplete, and
16 secondly came relatively late in the proceedings.

17 MR. JOHN LANDRY: Thank you, sir.

18

19 (BRIEF PAUSE)

20

21 MR. JOHN LANDRY: I would only point out,
22 sir, that affiliates is actually a baseline issue, not --
23 not a criteria issue. And so the difficulty is that we
24 are asked, as you can imagine, What does "affiliate"
25 mean? How are we going to deal with that issue, and --

1 and hence the problem.

2 We have a proposal that's brought forward
3 without the def -- here I go -- without the definition
4 necessary to determine what -- who it applies to and at
5 what level.

6 THE CHAIRPERSON: Well, there is no point
7 carrying on a debate on this. I mean, we have to
8 understand what their understanding of "affiliate" is.
9 It goes with the proposal, what is in front of us at this
10 time.

11 MR. JOHN LANDRY: I appreciate that, Mr.
12 Chair, and I would add, again, my point that are -- is
13 this Board -- I'm sorry.

14 Is Manitoba Hydro ready to present a
15 properly considered proposal toward -- to the Board?
16 That's where I was going, that it wasn't quite there. So
17 that -- that was my only point, and I'll leave it on the
18 record. I don't intend to pursue it any further with --
19 with Mr. Wiens or Mr. Warden, so...

20 THE CHAIRPERSON: Ms. Ramage, does
21 Manitoba Hydro -- are they prepared to take an
22 undertaking to provide their understanding of affiliate
23 relationships pursuant to this particular proposal?

24 MS. PATTI RAMAGE: Yes, we are.

25 THE CHAIRPERSON: Very good, thank you.

1 --- UNDERTAKING NO. 87: Manitoba Hydro to indicate to
2 MIPUG their understanding of
3 affiliate relationships,
4 pursuant to the proposal
5

6 THE CHAIRPERSON: Mr. Landry, just to
7 help you, by the way this, the Board has a water and
8 sewer hearing tonight. So we probably are going to be
9 closing right at 4:00.

10 MR. JOHN LANDRY: I -- I --

11 THE CHAIRPERSON: So just to help you
12 with your line of questioning.

13 MR. JOHN LANDRY: I expected that, sir.
14 I was just trying to look at if I had a short part that I
15 could go with without going beyond 4:00.

16

17 (BRIEF PAUSE)

18

19 CONTINUED BY MR. JOHN LANDRY:

20 MR. JOHN LANDRY: Just on a -- a couple
21 of questions in a certain area that I won't take too far,
22 but I wanted to give you an opportunity to speak to this.
23 And, Mr. Wiens, I assume it would be you.

24 But, sir, just at a very basic level in --
25 in the regulatory environment that we all work in, would

1 you agree with me that no customer has any interest in
2 the facilities that are used to generate power?

3

4

(BRIEF PAUSE)

5

6 MR. JOHN LANDRY: I -- I wasn't trying to
7 be too cute here, so let me see if --

8

9

MS. PATTI RAMAGE: Yeah, I'm having
trouble understanding the question.

10

11

CONTINUED BY MR. JOHN LANDRY:

12

13

14

MR. JOHN LANDRY: Let me see -- that they
have no ownership right. Now does that help you, when
the ownership --

15

16

17

18

19

MR. ROBIN WIENS: Yeah, as a general rule
that -- that would be true. You might be able to think
of some examples where they might have an interest in it,
where systems are physically separated, for example. But
as a general rule that won't be true.

20

21

MR. JOHN LANDRY: In -- in Manitoba for
sure?

22

23

24

25

MR. ROBIN WIENS: Yes.

MR. JOHN LANDRY: And are you aware of
anywhere in -- in Canada that -- that the actual

customers who are paying the rates in a -- for a -- for a

1 utility, such as Manitoba Hydro, actually have an
2 ownership right in the facilities?

3 MR. ROBIN WIENS: Not in ownership
4 rights, but they may have an interest, or they may have -
5 - they may relate to a facility that's serving them. But
6 it's not an ownership.

7 MR. JOHN LANDRY: Well, are you talking
8 about a specific customer or customer class or customer
9 group? I'm not sure I understand what you're saying, so
10 I better make sure that the record's clear.

11 MR. ROBIN WIENS: Well, it may not be of
12 any relevance to the line of questioning you're trying to
13 pursue, but even here in Manitoba we have a group of
14 customers who were served off the grid by a specific set
15 of generating resources.

16 MR. JOHN LANDRY: Yeah, but do they have
17 an ownership interest?

18 MR. ROBIN WIENS: No, they don't.

19 MR. JOHN LANDRY: Well that -- that was
20 my question.

21 You're not aware of anybody that has an
22 ownership interest in the facilities that are -- are
23 utilized by a -- a monopoly to -- to satisfy its
24 obligation to serve?

25 MR. ROBIN WIENS: I don't believe so.

1 MR. JOHN LANDRY: Now, would you say,
2 sir, that because of the -- the way in which you
3 presented this proposal, what you're now doing is you're
4 creating a category of customers who in fact have rights
5 in relation to your heritage assets, your embedded cost
6 assets?

7 Where other parties would have no rights,
8 like the energy intensive users?

9 MR. ROBIN WIENS: I -- I think that's
10 fair to say, that the -- that the existing loads and up
11 to the baseline as -- as defined would have rights to the
12 embedded cost rates, and other customers are paying
13 marginal cost rates. Or other -- other usage is paying
14 marginal cost rates.

15 MR. JOHN LANDRY: And you'd agree with me
16 that there's no other regulatory jurisdiction in Canada
17 that has that type of situation?

18

19 (BRIEF PAUSE)

20

21 MR. ROBIN WIENS: I -- I'm not sure you
22 can quite say that. Quebec has defined -- has defined an
23 obligation to serve such that there could be some loads
24 that are excluded from the heritage resource.

25 MR. JOHN LANDRY: But -- but in Quebec,

1 as I understand it, sir -- and you correct if I'm wrong -
2 - effectively, all that happens is that if it's beyond 50
3 megawatts, it goes to the -- to the government.

4 Below fifty 50 megawatts, there is an
5 obligation to serve, correct?

6 MR. ROBIN WIENS: That's correct.

7 MR. JOHN LANDRY: I think that's probably
8 as good as a place to stop as any, Mr. Chair.

9 THE CHAIRPERSON: Very good, sir. Okay,
10 we will adjourn until tomorrow at 9:00, thank you.

11

12 (WITNESSES RETIRE)

13

14 --- Upon adjourning at 3:57 p.m.

15

16

17 Certified correct,

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19

20

21 Cheryl Lavigne

22

23

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