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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 15th, 2008
Pages 2647 to 2872

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3	MIPUG-11	A letter to Jim Rondeau, Sept 26/'06;	
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11		Selinger to MIPUG, Nov 1/'06; MIPUG to	
12		Selinger Nov 14/'06; MIPUG to Brennan,	
13		Dec 18/'07; MIPUG to Selinger, Dec 18/'07;	
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	UNDERTAKINGS	
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2	NO.	PAGE NO.
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4		Manitoba Hydro Table 13, keeping the
5		basic charge at four seventy-four (474)
6		and then adjust the first block charge
7		and the tail block charge 2725
8	89	Manitoba Hydro to indicate to MIPUG, in
9		regards to Undertaking Number 13, Manitoba
10		Hydro Exhibit 19, if the energy number used
11		in kilowatt hours to calculate the per unit
12		cost for Wuskwatim, is referenced to
13		northern generation of to the southern
14		part of the grid 2806
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1 --- Upon commencing at 9:04 a.m.

2

3 THE CHAIRPERSON: Okay, welcome back
4 folks. I think today will be kicked off by Mr. Landry.
5 I think after that, if I understand properly, we'll be
6 going to Mr. Gange and then I think we've got presenters
7 at 1:15.

8 Mr. Landry...?

9

10 MANITOBA HYDRO COST OF SERVICE AND RATE DESIGN PANEL

11 RESUMED:

12 KURT ROBIN WIENS, Resumed

13 CHIC THOMAS, Resumed

14 VINCE WARDEN, Resumed

15 HAROLD SURMINSKI, Resumed

16

17 CONTINUED CROSS-EXAMINATION BY MR. JOHN LANDRY:

18 MR. JOHN LANDRY: Thank you, Mr.

19 Chairman. I just have a few topics to finish up this
20 morning. Again, I think most of my questions are for
21 you, Mr. Wiens, but I want to talk a little bit firstly
22 about the calculation of the baseline.

23 And just for the purposes of reference, at
24 least from my perspective in terms of understanding this
25 a little bit, the best place probably would be to go to

1 Tab 6 of Exhibit 10 of the MIPUG Exhibit 10, and that's
2 the discussion paper.

3 MR. ROBIN WIENS: I have that.

4 MR. JOHN LANDRY: And probably relative
5 to the baseline, the description of that is at -- starts
6 at page 2, for the record.

7 MR. ROBIN WIENS: Yes.

8 MR. JOHN LANDRY: Now again, to go back
9 to basics -- and -- and I understand we've gone through
10 this before but just to set up some of the questions that
11 I'd like to ask of you -- obviously the setting of the
12 baseline is the key aspect of this proposal.

13 MR. ROBIN WIENS: Yes.

14 MR. JOHN LANDRY: And the setting of the
15 baseline for individual companies could have a very
16 material impact on the company, because of course if they
17 go above the baseline they're going to be subjected to a
18 much higher rate?

19 MR. ROBIN WIENS: Yes.

20 MR. JOHN LANDRY: Now as I understand,
21 sir, at the moment, the proposal sets the baseline based
22 on historical data, in other words, customer usage over a
23 three (3) year period?

24 MR. ROBIN WIENS: Yes.

25 MR. JOHN LANDRY: And that's to the end

1 of December of 2007?

2 MR. ROBIN WIENS: Correct.

3 MR. JOHN LANDRY: Now do I understand the
4 proposal correctly, sir, by saying that that will be
5 effectively the baseline? And -- and when I say
6 "forever" I mean in an economic sense.

7 Or say, for the next twenty (20) years
8 that will be the baseline that will determine where the
9 dividing line is between the embedded rate and the
10 marginal rate?

11 MR. ROBIN WIENS: Yeah, there's no
12 proposal here to move baselines up, although, you know,
13 we did talk about an exemption criteria and if those
14 would come into play, that could result in a change, but
15 absence that, you -- you would be correct.

16 MR. JOHN LANDRY: You -- you still -- you
17 -- you would still be calculating baseline, is -- is my
18 point. The baseline would be set. It would be set and
19 that would be what you'd be using with each individual
20 customer as you're talking about things like exemption
21 criteria and that type of thing.

22 MR. ROBIN WIENS: Yes. That's -- that's
23 not to say that you couldn't have some changes going
24 forward but that would be the -- that would be the
25 default position.

1 there are some Power Smart savings that are undertaken
2 successfully after the baseline, then presumably that
3 customer is able to reduce their usage and have more of
4 their production taking place at the -- below the
5 baseline, so no there wouldn't be adjustments in that
6 case. There would be adjustments if the baseline had not
7 been set.

8 MR. JOHN LANDRY: Okay. So just so it's
9 clear on the record what your proposal is, for your
10 existing customers obviously baselines would have to be
11 set, correct?

12 MR. ROBIN WIENS: Yes.

13 MR. JOHN LANDRY: And the baselines would
14 be set if this is -- if this is approved by the Board --
15 let's assume it's approved by the Board at the end of the
16 second hearing, okay? Let's just make that assumption
17 for now.

18 What would have to be done for all your
19 existing customers is baselines would have be set,
20 correct?

21 MR. ROBIN WIENS: Yes.

22 MR. JOHN LANDRY: And that would be the
23 baseline effectively going forward?

24 MR. ROBIN WIENS: That's correct.

25 MR. JOHN LANDRY: So there would be no

1 further adjustments after that initial determination of
2 the baseline?

3

4

(BRIEF PAUSE)

5

6 MR. ROBIN WIENS: Again, that -- that is
7 correct, subject -- I think we can say to two (2)
8 provisos. If that company is successful in obtaining --
9 in obtaining an -- an exemption, then the baseline would
10 be reviewed after it had been originally established, if
11 -- you know for whatever reason.

12 The other is the last item on page 2 which
13 is adjustment for installation of an energy-efficient
14 solution required for compliance with environmental
15 regulations. If something like that had happened post-
16 baseline then we would have to do a review of the
17 baseline.

18 MR. JOHN LANDRY: Sir, I want to come to
19 both of those, but I want to start with the second one
20 first.

21 I didn't see that anywhere, that point
22 that you just made, anywhere in the -- in the discussion
23 paper. Can you point me to somewhere that it says that
24 the baseline in the future is going to be adjusted by the
25 last adjustment that you just referred to from page 2.

1

2

(BRIEF PAUSE)

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MR. JOHN LANDRY: And if you can point me to something, sir, that would be -- that would be acceptable. I just didn't see it.

6

7

MR. ROBIN WIENS: Well, if -- if you -- if you review those last two (2) paragraphs on page 2, the initial baseline is described as the twelve (12) consecutive months in the last -- highest twelve (12) consecutive months in the last three (3) years, plus the growth allowance. So that sets the initial baseline. The other adjustments are -- are added on afterwards.

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(BRIEF PAUSE)

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MR. ROBIN WIENS: So that -- that gets us to the point where now we start talking about adjustments for all known Power Smart saving projects.

MR. JOHN LANDRY: I understand that.

MR. ROBIN WIENS: Yeah, and -- and so on. So adjustment for installation of an energy-efficient solution required for compliance with environmental regulations, if that has occurred in the past then that would be added on at this time.

1 MR. JOHN LANDRY: So would -- so would
2 Power Smart. So would any of the other adjustments. I
3 understand that. Can --

4 MR. ROBIN WIENS: Right. Right.

5 MR. JOHN LANDRY: You set your -- you set
6 your historical amount and then you have potential
7 adjustments that can effectively add to that historical
8 amount. I understand that, sir.

9 And I -- and -- and for your existing
10 customers if this rate is approved, what I do understand
11 is that you'll -- you'll sit down with a customer and
12 you'll go through both the historical load and you'll
13 also go through these adjustments and you will come to a
14 -- effectively, if I could put it this way -- your final
15 baseline.

16 MR. ROBIN WIENS: Yes.

17 MR. JOHN LANDRY: Okay. That's where I'm
18 at. Now we're there, okay? And let's assume we're there
19 in November of 2008, not to -- not to try to suggest
20 anything, but that's the date that you do it with your
21 existing customers.

22 MR. ROBIN WIENS: Okay.

23 MR. JOHN LANDRY: Okay. My question is
24 this: Post-November 2008, after you've done that, after
25 you've done all of the adjustments, if indeed there is

1 Power Smart energy savings or a requirement to install an
2 energy efficient solution for -- for environmental
3 reasons, will that affect that baseline or not?

4 MR. ROBIN WIENS: Well, the Power Smart
5 energy savings are undertakings that the customer does
6 and they would reduce the customer's use further below
7 the baseline. So I don't see that subsequent Power Smart
8 adjustments produce an entitlement to additional energy
9 on their own.

10 If there's a load growth due to compliance
11 with environmental, then that would adjust the baseline
12 upward.

13 MR. JOHN LANDRY: After?

14 MR. ROBIN WIENS: Afterwards.

15 MR. JOHN LANDRY: So -- and I don't want
16 to get into the -- in the debate on how they do these
17 things, but your point, is in terms of the calcu -- is
18 there -- is there some confusion on this, Mr. Wiens?

19 MR. VINCE WARDEN: There's -- there's not
20 confusion, Mr. Landry. We just want to make sure we're
21 perfectly clear in the answers we're providing.

22 MR. JOHN LANDRY: Okay. Let me -- let me
23 try again. So --

24 MR. VINCE WARDEN: Just one (1) minute
25 please.

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(BRIEF PAUSE)

MR. ROBIN WIENS: Mr. Landry, if you go to Item 2.3 on page 3, that does talk about historical load added to comply with environmental requirements. But that is certainly intended to mean, if there's a necessity to comply with environmental requirements in the future that we would revisit the baseline that had been established.

MR. JOHN LANDRY: Just so I understand, you're -- you're saying that your interpretation of what's in two point three (2.3) allows for an adjustment post, using my example, November 2008?

MR. ROBIN WIENS: Yes, it would.

(BRIEF PAUSE)

MR. JOHN LANDRY: Okay. So you say that there'll be -- at least Manitoba Hydro's proposal is that -- if I can it the fourth adjustment at the bottom of page 2 -- would be taken into account post-November 8, 2008 -- that's just a reference point for the question -- but the other three (3) adjustments there would not -- there would be no further adjustments after you set the

1 initial baseline, subject to the exemption issue which
2 we'll come to in a second?

3 MR. ROBIN WIENS: That's correct.

4 MR. JOHN LANDRY: If I could have -- keep
5 your spot there for a second, okay, but if you could also
6 switch over to Tab 4, please.

7 And I -- and I want to ask you a quest --
8 just so you understand and you can look at in both spots,
9 I -- I want to talk about this environmental compliance
10 concept, okay? So if you go to Tab 4 of Exhibit -- MIPUG
11 Exhibit 10 and you'll see on page -- well, it's actually
12 at the bottom, called, "page 13 of 26." It's the second
13 page in.

14 Do you see that?

15 MR. ROBIN WIENS: Yes.

16 MR. JOHN LANDRY: And you'll see in about
17 the middle of the page there is reference to this -- at
18 this environmental issue? 50 percent of additional
19 energy consumed, do you see that?

20 MR. ROBIN WIENS: Yes.

21 MR. ROBIN WIENS: What I'm -- what I'm
22 wondering about is that I look at what is on page 2 of
23 the discussion paper at Tab 6, which talks about
24 adjustment for installa -- installation of an energy-
25 efficient solution required for compliance with

1 environmental regulations. And then I look at the actual
2 document that you're asking for approval and it only
3 references, in the environmental-side, the Canadian
4 Environmental Protection Act.

5 Is it intended to be broader than the
6 Canadian Environmental Protection Act?

7 MR. ROBIN WIENS: Yes, Mr. Laundry, this
8 -- this Tab 4 was filed on August the 1st of 2007.
9 Subsequent to that we had further discussions about this
10 and the broadening -- the broadening of the criterion was
11 -- was filed afterwards.

12 MR. JOHN LANDRY: So, sir --

13 MR. ROBIN WIENS: Yes. Yeah, after
14 further -- further discussions with -- with your client
15 and other customers.

16 MR. JOHN LANDRY: Yeah, but -- but sir,
17 does that mean that effectively what Manitoba Hydro is
18 going to have to do and I gather this applies to a number
19 of things that they'll have to file a revised rate
20 schedule that will take that into account --

21 MR. ROBIN WIENS: Yes.

22 MR. JOHN LANDRY: -- at some point in
23 time?

24 MR. ROBIN WIENS: Yes.

25 MR. JOHN LANDRY: So what's before the

1 Board now is not what you're asking for approval on?

2 MR. ROBIN WIENS: It would be subject to
3 revision, yes.

4 MR. JOHN LANDRY: Now sir, just on that
5 Tab 4 again, to be precise given the importance of this
6 rate schedule, if you look at that same page we were
7 looking at, which is page 13 of 26, the one before the
8 environmental compliance in the middle of the page is
9 "Verified Power Smart Energy Savings up to" -- sorry,
10 "from 1992 to present."

11 Do you see that?

12 MR. ROBIN WIENS: Yes, I do.

13 MR. JOHN LANDRY: And -- and what does
14 "present" mean? Does that mean December 31st '07?

15 MR. ROBIN WIENS: Yes, it does.

16 MR. JOHN LANDRY: So that will obviously
17 be changed too, will it?

18 MR. ROBIN WIENS: It would become more
19 precise, yes.

20 MR. JOHN LANDRY: Now sir, in terms of
21 setting the baseline -- and please correct me if I'm
22 wrong -- but the only alternative that I saw that was
23 discussed in the material or in the application you filed
24 was the utilization of -- of a historical concept.

25 Is that a fair statement?

1 MR. ROBIN WIENS: Yes, the recent past.

2 MR. JOHN LANDRY: Now, would you agree
3 with me, sir, that there are other possible alternatives
4 to establish a baseline?

5 MR. ROBIN WIENS: Sure, you could
6 establish a baseline in a number of other ways that you
7 chose, sure.

8 MR. JOHN LANDRY: Okay. And did you,
9 Manitoba Hydro, look at other alternatives to establish
10 baseline?

11 MR. ROBIN WIENS: We didn't have a lot of
12 discussion about other alternatives. We -- we focussed
13 largely on the recent historical past.

14 MR. JOHN LANDRY: You -- you can't recall
15 something that you did discuss internally and reject?

16
17 (BRIEF PAUSE)

18
19 MR. ROBIN WIENS: We did have internal
20 discussions about other -- other possibilities, including
21 looking at -- at a capacity constraint. It included
22 looking at something similar to what's been done in BC.
23 But in the end we did -- what we settled on was having a
24 fairly lengthy period in the recent past so that we could
25 capture some of the ups and downs that may have occurred,

1 and as well looking at the considerations in respect of -
2 - of Power Smart initiatives going right back to when
3 Manitoba Hydro began offering Power Smart programming.

4 MR. JOHN LANDRY: Sir, would you at least
5 agree with me that maybe you had those internal
6 discussions, but there's nothing in the record, as I
7 understand it, that reviews the various alternatives that
8 might be available and the reasons why Manitoba Hydro
9 decided not to go forward with those alternatives?

10 Would you agree with that?

11 MR. ROBIN WIENS: Yes.

12 MR. JOHN LANDRY: Do you not think it
13 would -- would have been helpful for all concerned to
14 put those alternatives out there and give the reasons why
15 you chose one (1) over the other?

16

17 (BRIEF PAUSE)

18

19 MR. ROBIN WIENS: In the sense, Mr.
20 Landry, that more -- more information is often more
21 helpful, yes.

22 MR. JOHN LANDRY: Okay. Sir, I wonder if
23 you could -- just on this point, I wonder if you could --
24 and I apologize for flipping back and forth so quickly --
25 but if you could go to Tab 1 of MIPUG Exhibit 10, and

1 that is the extract from the Board's Order in August of
2 2006, Order 117/'06.

3 MR. ROBIN WIENS: Yes.

4 MR. JOHN LANDRY: And if you could go to
5 the second page of that document. At the very bottom
6 there's a statement made by the Board and I'll quote --
7 it's in the last paragraph, and it says:

8 "The Board suggests that Manitoba Hydro
9 develop its proposal, taking into
10 account that existing [and "existing"
11 is underlined] industry came, remained,
12 and expanded in Manitoba with certain
13 assumptions as to energy pricing and
14 supply, a distinction between new and
15 existing industry is reasonable."

16 Do you see that, sir?

17 MR. ROBIN WIENS: Yes, I do.

18 MR. JOHN LANDRY: Would it be fair to
19 say, sir, that looking at that, that what's trying to be
20 captured there is sort of the reasonable expectation of
21 existing industries when they had made their past
22 investment decisions?

23 Is that sort of the concept that you
24 understood was trying to be taken into account there?

25

1 (BRIEF PAUSE)

2

3 MR. ROBIN WIENS: Our -- our working
4 underlying consideration here was that customers who were
5 here would have their existing load protected. I -- I
6 believe that's how we designed this baseline
7 consideration.

8 MR. JOHN LANDRY: So you didn't take into
9 account effectively, in your way of thinking, effectively
10 the -- the actual investment that they made in assets,
11 you were just looking simply at load?

12 MR. ROBIN WIENS: Yes, we were looking at
13 historical loads which in -- in most, if not all cases,
14 are -- in the recent period were at -- at pretty much
15 the maximum that those customers have been.

16 MR. JOHN LANDRY: Maximum at what those
17 customers have been, but do you know for certainty that
18 they were at the maximum of their planned capacities?

19

20 (BRIEF PAUSE)

21

22 MR. ROBIN WIENS: We do know that they're
23 not all at maximum plant capacity.

24 MR. JOHN LANDRY: But, sir, I guess what
25 I'm saying is, in terms of existing customers that were

1 there and -- and the comment made by the Board which
2 seems only fair, that people had come to Manitoba and
3 invested in Manitoba based on certain known situations,
4 and that would include the -- the electrical pricing and
5 the regulation per electrical pricing in Manitoba.

6 Fair statement?

7 MR. ROBIN WIENS: Customers came at -- at
8 various times and -- and presumably, yes, have an
9 expectation of -- of the -- of a particular pricing
10 regime that existed when they came.

11 MR. JOHN LANDRY: All right. And when
12 they came, they invested in their assets that are now in
13 the province. Fair statement?

14 MR. ROBIN WIENS: Yes.

15 MR. JOHN LANDRY: Okay. And I guess what
16 I would -- would say to you, sir, wouldn't another
17 approach to establishing base man -- baseline which would
18 have been fair, given the comment made by the Board and
19 the fact that these customers did come to -- to Manitoba
20 based on what you and I've been talking about, to look at
21 their plant capacities, as opposed to their historical
22 load?

23

24 (BRIEF PAUSE)

25

1 MR. ROBIN WIENS: Yeah, I -- I'm not sure
2 that we haven't done that, Mr. Landry. We've provided a
3 fairly wide range of -- of a time period in which to look
4 at -- at what customers -- how customers actually use
5 their plant. We've -- we've said that we will look at
6 the highest consecutive twelve (12) months within a
7 thirty-six (36) month period, which allows a customer to
8 choose when they were most at the highest levels of
9 production during that period. We've made provision to
10 incorporate Power Smart activity going right back to
11 1992.

12 So I -- you know, I -- well no, we haven't
13 looked at, you know, what is the maximum capacity that
14 customer could run at, given whatever their -- their
15 contract demand or -- or the size of the transformer
16 that's serving them. We believe that we've looked at
17 what is a reasonable maximum that they've achieved in
18 Manitoba.

19 MR. JOHN LANDRY: But, sir, that --
20 that's all fine and well, and I -- I think I appreciate
21 your point, but the bottom line is this, isn't it, in
22 terms of your answer, that you did not look at your
23 individual customers to determine whether or not there
24 was a -- a fairness issue because of the fact that they
25 had not gone -- or -- or had worked to their capacity

1 over that three (3) year period.

2 You didn't look at that as -- as an issue,
3 did you?

4

5 (BRIEF PAUSE)

6

7 MR. ROBIN WIENS: Apart from having
8 ongoing discussions with customers and trying to
9 understand the extent to which the capacity of their
10 plant was being used, we -- we have not included that in
11 this document, sir.

12 MR. JOHN LANDRY: Thank you, sir. Now,
13 sir, another option in terms of baseline that I suggest
14 could have been looked at, is to look at the contracts
15 that you actually have with the number of your large
16 industrial account -- accounts.

17 Is that a -- is that another possibility?

18

19 (BRIEF PAUSE)

20

21 MR. ROBIN WIENS: That -- that is a
22 possibility or would have been a possibility, Mr. Landry,
23 but we're in a situation here too where we have a number
24 of our large customers who do not have contracted
25 amounts.

1 MR. JOHN LANDRY: But, sir, there was no
2 -- there was no limit on the number of different
3 approaches that you could have within the rate to
4 establish baseline, is there?

5 Is there -- was there a limit set by this
6 Board?

7 MR. ROBIN WIENS: This Board didn't --
8 no, this Board didn't set a limit. What we did was we
9 took a look at what we thought was reasonable.

10 MR. JOHN LANDRY: I understand that, sir.
11 But -- but you -- but what I'm saying to you is you could
12 have had two (2) approaches to establish baseline or
13 three (3) approaches, could you not?

14 MR. ROBIN WIENS: There -- there could --
15 there is a number of possibilities that could have been
16 explored.

17 MR. JOHN LANDRY: And -- and --

18 MR. ROBIN WIENS: Our concern is
19 primarily about energy and this baseline looks at energy.

20 MR. JOHN LANDRY: I understand that, sir.
21 I am focusing on the issue of fairness to your existing
22 industry; that's what I'm focusing on. And I'm saying to
23 you that there are other alternatives that could have
24 dealt with that issue beyond historical consumption. And
25 I think you've agreed with me on that.

1 with that?

2 MR. ROBIN WIENS: Yes.

3 MR. JOHN LANDRY: And sir, I'd like to at
4 -- at least start with Item Number 1, which talks about
5 revenue to cost coverage ratios.

6 Do you see that?

7 MR. ROBIN WIENS: I do.

8 MR. JOHN LANDRY: And you see that the
9 long-term target to have all class revenue cost coverage
10 ratios in the range of 95 to 105 percent.

11 Do you see that?

12 MR. ROBIN WIENS: I do.

13 MR. JOHN LANDRY: And sir, at least for
14 the large industrial customers that are going to be
15 subjected to that rate, would you agree with me that they
16 will not come within that revenue to cost coverage ratio
17 of 95 to 105 percent?

18 MR. ROBIN WIENS: Depending on how that
19 rate is treated in the Cost of Service Study that is a
20 possibility, yes.

21 MR. JOHN LANDRY: And it's likely that
22 this will happen?

23 MR. ROBIN WIENS: If -- if you took
24 strictly a revenue versus embedded cost approach that --
25 that is likely.

1 MR. JOHN LANDRY: Thank you. The second
2 one, sir, it says -- and again, it's quite a traditional,
3 at least in my experience, rate design principle -- says:

4 "In conformity with the principles of
5 gradualism and sensitivity to customer
6 impacts..."

7 And then it talks about the annual
8 adjustments.

9 Just in terms of those principles, the
10 principles of gradualism and sensitivity to customer
11 impacts, are those principles that will be utilized by
12 the Corporation in dealing with this rate in the future,
13 if this Board approves it?

14 MR. ROBIN WIENS: I can't say that we
15 would specifically apply more or less than -- than two
16 (2) percentage points, but gradualism and sensitivity to
17 customer impacts in the future, with respect to this
18 rate, would be a consideration in bringing forward any
19 changes to it.

20 MR. JOHN LANDRY: Okay. Would -- would
21 the same principles be applied to this rate, in terms of
22 gradualism and sensitivity to customer impact, as you
23 would apply to your embedded cost rates?

24 MR. ROBIN WIENS: Again, I'm not saying
25 that we would have the specific -- in on -- annual

1 adjustments to revenues by customer class less than two
2 (2) percentage points greater than the overall increase,
3 and within that how it would effect individual customers.
4 I am saying that -- that general principles would have
5 consideration in any future adjustments to this rate.

6 MR. JOHN LANDRY: Okay. I -- I
7 acknowledge your qualification and I accept that. My
8 point, though, is will the -- the same principles of
9 gradualism and sensitivity to costumer impacts be applied
10 to your marginal rate customers as you will apply to your
11 embedded-cost customers?

12 MR. ROBIN WIENS: Again, the answer is
13 yes.

14 MR. JOHN LANDRY: Okay, that's what I was
15 looking for. Thank you.

16 Now as I understand your earlier
17 testimony, sir -- and I can you to it if you want -- but
18 the -- you're saying that this rate, the marginal rate
19 that we're talking about here will be set once every
20 year, two (2) years, three (3) years.

21 Is that a fair statement?

22 MR. ROBIN WIENS: I -- I think it's fair
23 to say that we would review this rate at the same as we
24 review all our rates, if we were looking at filing a
25 General Rate Application. That would be the -- that I

1 would think would be the normal way of proceeding with
2 this.

3 MR. JOHN LANDRY: So is it -- is it the
4 Company's position that this marginal rate will only be
5 reviewed at the same time that embedded cost rates are
6 reviewed?

7 MR. ROBIN WIENS: I cannot look forward
8 and -- and, you know, comprise all possible situations
9 that -- that could emerge going many years into the
10 future, but that would be the intent that we would look
11 at it at -- at the time we file a General Rate
12 Application.

13 And we would look at it in the context of
14 have our marginal costs changed to what extent, and what
15 are some are the other rate design principles, like
16 gradualism and customer sensitivity, that we want to take
17 into consideration with respect to this.

18 MR. JOHN LANDRY: Can I -- can I maybe
19 come to a point where we both agree? It's your
20 reasonable expectation at this point in time that you
21 would only change this marginal rate at the time that
22 you've applied to change the embedded cost rate?

23 MR. ROBIN WIENS: A "reasonable
24 expectation" would be a good -- a good term.

25 MR. JOHN LANDRY: So if for example, sir,

1 your embedded cost rates -- or sorry, your embedded cost
2 did not change enough that you felt that you had to come
3 back to this Board for -- for a rate increase, but your
4 marginal cost forecast increased, let's say materially
5 more than 15 or 20 percent, would in that circumstance
6 you'd come back for a marginal rate increase?

7 MR. ROBIN WIENS: As I stated, I -- we
8 can't possibly look forward to see all possible
9 considerations. Would we come back for a marginal cost
10 rate increase in that particular circumstance? I can't
11 say that we would never do it.

12 But more -- more than likely in that
13 circumstance, if we saw marginal costs increasing that
14 much we would also be seeing increases in our embedded
15 cost and we would be looking to make changes to both.

16 MR. JOHN LANDRY: Well I -- I'm not sure
17 I understand how that necessarily can apply, sir. If I
18 understand your marginal cost -- and it's not your
19 classic marginal costs, it's like an opportunity cost,
20 and -- and that's the way you're -- you're proposing it
21 here -- if -- if the -- if the export markets increased,
22 okay, the price for -- for the export of power
23 increased, which I suppose is a possibility given a lot
24 of the discussion that's happening these days on
25 greenhouse gas emissions and that type of thing -- if

1 that happens, such that your marginal cost in the way
2 you're using that term before this Board, increased, for
3 example, let's just take an example, of 20 percent, but
4 your embedded costs haven't changed dramatically, I'm not
5 sure I understand the point.

6 My question to you is: If that happened
7 and your embedded cost did not change materially, would
8 you come back to this Board just to get the marginal rate
9 changed?

10 MR. ROBIN WIENS: I can't rule it out.
11 You're giving me hypotheticals; there's any number of
12 hypotheticals we could talk about.

13 I'm assuming the hypothetical you're
14 posing to me is that there is a significant increase in
15 the marginal cost, that it's in the order of 20 percent.
16 And I'm assuming that it's something, that looking at it
17 at the time we would say, this is -- this increase is
18 going to be sustained; it's not -- it's not an aberration
19 for this year; it's going to be sustained into the
20 future; we have to deal with it. It's not impossible
21 that we could come back and see we would like a change in
22 the marginal cost rate.

23 But as I stated earlier, we wouldn't just
24 look at the increase in the marginal costs, we would look
25 at the other factors within rate design. If we thought,

1 for example, that we would be coming back within a year
2 to ask for increases to all our rates based on embedded
3 costs, it's quite conceivable that we would decide not to
4 make an application, specifically with respect to the
5 marginal cost, that we would wait.

6 MR. JOHN LANDRY: Okay. Let's -- let's
7 do something a little bit -- maybe that's a little bit
8 more traditional in the sense of what your reasonable
9 expectation is.

10 Let's assume for -- for our purposes that
11 you're going to come forward with another General Rate
12 Application in two (2) years, which is where I -- I guess
13 your reasonable expectation is the first time that you
14 would probably at least look at the marginal rate, if we
15 make that assumption.

16 MR. ROBIN WIENS: I -- I mean it could be
17 two (2) years, it could be a year, it could be three (3)
18 years.

19 MR. JOHN LANDRY: Okay. I -- I'm not
20 trying to -- I'm not trying to create any controversy
21 here, I'm just trying to create an assumption.

22 Let's assume its two (2) years, is that --
23 is that okay?

24 MR. ROBIN WIENS: Sure.

25 MR. JOHN LANDRY: Okay. And in two (2)

1 years from now, you're coming for a very -- very modest
2 increase, let's say in your embedded costs. But we're
3 dealing with marginal costs here and this is the issue
4 that I'm talking about, okay?

5 And let's assume, at that point in time,
6 your marginal cost forecast, because of things like the
7 evolution of the -- the greenhouse gas emissions issue in
8 -- in North America means that the export price is
9 forecast to be, let's just say materially higher than it
10 is right now, let's take 20 percent since -- since we've
11 been using that, at that point in time, would it be your
12 -- would it be the Company's position that they would ask
13 for an increase in the marginal rate to that 20 percent
14 amount?

15 MR. ROBIN WIENS: It would depend on the
16 circumstances at the time. When we file a rate
17 application what we put into the rate application is
18 going to depend on the circumstances at the time. If --
19 if we believed that our reasonable expectation was that
20 this 20 percent increase was going to be followed by a 20
21 percent increase in the following year and a 20 percent
22 increase in the following year, we might definitely look
23 to trying to bring that into the marginal cost base rate.

24 If we believe that it was a one (1) time
25 change and that beyond that it was going to increase at

1 the rate of inflation, we might look at phasing it in.
2 We would look at all the possibilities that happened at
3 the time.

4 MR. JOHN LANDRY: Sir, I -- I think you
5 can understand where I'm going here because what I'm
6 trying to determine is if somebody is looking at this
7 marginal rate and trying to look into the future as to
8 what is going to happen vis-a-vis the marginal rate,
9 there's no necessarily guidelines in place anywhere in
10 your -- in -- in stuff that I've seen that's been filed
11 as to what you're going to do.

12 At least is that -- is that fair? There's
13 nothing in the record that would tell somebody exactly
14 what you're going to do in relation to this marginal
15 rate?

16 MR. ROBIN WIENS: Tell --

17 MR. JOHN LANDRY: A new customer or an
18 existing customer --

19 MR. ROBIN WIENS: That would signal to
20 them precisely what we're going to do -- on this current
21 record?

22 MR. JOHN LANDRY: Yes.

23 MR. ROBIN WIENS: Yeah, that would be
24 fair. That would be fair.

25 MR. JOHN LANDRY: Okay, but -- but --

1 MR. ROBIN WIENS: At the time --

2 MR. JOHN LANDRY: Sorry.

3 MR. ROBIN WIENS: At the time we would --
4 that we would file, we would have some discussion about
5 what our expectations were.

6 MR. JOHN LANDRY: I apologize. But, sir,
7 the -- the point I'm trying to make here is this. When
8 an industrial customer goes to any province in Canada, at
9 the moment, there are rate schedules that exist, okay,
10 and let's just take two (2) that -- that we've been
11 talking about: British Columbia and -- and Manitoba.

12 In British Columbia, he'll know what the
13 rate is. He'll know what the principles are that are
14 utilized to establish the rate in the future because it
15 is going to be cost-driven but in Manitoba, it's not
16 necessarily cost-driven. It's a marginal cost/marginal
17 opportunity, and there's no way to determine, on the same
18 basis, what's going to happen in the future.

19 Would you agree with that?

20 MR. ROBIN WIENS: The customer coming
21 under those circumstances would have to understand that
22 that part of the rate, if they were subject to it, is
23 based on marginal cost; it's based on what is happening
24 the current markets, how we project that to look into the
25 long term so they would know that they may be subject to

1 rate changes based on marginal rather than embedded
2 costs.

3 MR. JOHN LANDRY: But -- but, sir, in
4 some jurisdictions that industrial can go out in the
5 marketplace himself and test exactly what you're talking
6 about. In Manitoba, they cannot. They have to buy it
7 from you, correct?

8 MR. ROBIN WIENS: That's correct.

9 MR. JOHN LANDRY: And they have to rely
10 on your forecast, correct?

11

12 (BRIEF PAUSE)

13

14 MR. ROBIN WIENS: In terms of
15 expectations, absent a -- a rate hearing and review, that
16 would be what they would be relying on.

17

18 (BRIEF PAUSE)

19

20 MR. JOHN LANDRY: If I could just have a
21 moment, Mr. Chair.

22

23 (BRIEF PAUSE)

24

25 MR. JOHN LANDRY: Sir, I wonder if I

1 could ask you another sort of detailed question but again
2 an important question, at least from my perspective, in
3 terms of trying to look and advise people on what will
4 happen as a result of this rate in the future.

5 If you could change -- if you could turn
6 to -- I guess probably the best place is the -- the rate
7 schedule itself which is at Tab -- I've lost it again.

8 MR. ROBIN WIENS: Four (4)?

9 MR. JOHN LANDRY: Four (4). Thank you.
10 Of Exhibit 10. Or actually maybe, maybe five (5) is a
11 little bit easier to -- to hit the point that I want to -
12 - want to discuss with you.

13 And -- and I'm switching a little bit
14 here. I'm now going into the exemption criteria, except
15 that -- but I'm trying to understand the formulas that
16 will be used both now and in the future, okay? That's
17 where -- that's where I'm heading.

18 So I want to -- I want to use our example,
19 okay? And I think we've had the debate about what will
20 happen, but I just want to make an assumption. I'd like
21 you to tell me how the formula works on the -- on the
22 basis of that assumption, okay? Let's assume we're two
23 years hence, okay, and let's assume for the moment that
24 it is your marginal cost calculation at that point in
25 time forecast is increased 20 percent, okay?

1 MR. ROBIN WIENS: Okay.

2 MR. JOHN LANDRY: And let's assume also
3 for the moment that, well, let's assume you go for the
4 entire rate increase, okay?

5 MR. ROBIN WIENS: Okay.

6 MR. JOHN LANDRY: Now, in the A, B, and C
7 on -- on that one page on -- at Tab 4, for the
8 incremental costs of new and expanded low to all
9 ratepayers, will that effectively take into account that
10 new marginal cost? Will that be what you'll use in the
11 denominator?

12 MR. ROBIN WIENS: Yes.

13 MR. JOHN LANDRY: Okay. Now, sir, if --
14 if and I just say if -- if you determine using rate --
15 normal rate design principles of gradualism and
16 sensitivity to customer impact instead of giving a 20
17 percent increase based on my assumption, you only -- you
18 want to bring it in over time and you only give a -- for
19 argument's sake -- a 5 out of the 20 percent increase,
20 just for argument's sake, what then goes into the
21 denominator? Your actual marginal costs that you
22 forecast or the -- the -- the rate that you're actually
23 effectively asking for approval?

24 MR. ROBIN WIENS: We would use the rate
25 that we're asking to be approved or that we would have

1 approved.

2 MR. JOHN LANDRY: And -- and -- and
3 presumably that would be for existing customer expansions
4 and -- and any new customers coming in after that point
5 in time?

6 MR. ROBIN WIENS: Yes, that would be the
7 basis of -- of evaluating it at that time.

8

9 (BRIEF PAUSE)

10

11 MR. JOHN LANDRY: So, sir, if I
12 understand -- excuse me, sorry, I apologize for that
13 break, but if I understand that then, and without taking
14 issue with it, just to sort of make sure it's clear on
15 the record -- using the assumptions that we just went
16 through effectively, where you've used the rate design
17 principles and gradualism and sensitivity to customer
18 impact to effectively lower the increase than would
19 otherwise be there, does that not mean that, at that
20 point in time, you're effectively not, at least in your
21 forecast, being revenue-neutral?

22 MR. ROBIN WIENS: Yeah, that -- that's
23 certainly a potential result. You know, our -- our
24 intention would be over the long term that we would track
25 marginal costs with this rate so if we're going -- if we

1 fall short in one year, that's -- that's the result of
2 applying other principles, but over the long term, our
3 expectation would be that we would track marginal cost.

4 So that if we followed a principle of
5 gradualism in that period then we would -- over the next
6 year or several years after that -- that we would move
7 toward marginal cost.

8 MR. JOHN LANDRY: But obviously it
9 wouldn't -- it wouldn't be revenue-neutral.

10 MR. ROBIN WIENS: At that particular
11 time, it wouldn't be revenue-neutral.

12 MR. JOHN LANDRY: Thank you. Another
13 sort of technical question on the -- on the rate, sir, if
14 -- if you go to probably again the discussion paper,
15 because it's the easiest place to see where you describe
16 what is happening, and the page 4 and 5 of that sir. So
17 it's at Tab 6 of MIPUG Exhibit 10, for the record.

18 And -- and just so you know where I'm at,
19 does the -- does the Board have this? It's just going to
20 take me a couple of seconds to get through that. Okay.

21 If we look on page 5 you will see under
22 the three (3) different criteria that you have there, the
23 denominator is "IC" in the first one, "CIC" in the second
24 one, and "IC" in the third.

25 Do you see that, sir?

1 MR. ROBIN WIENS: Yes, I do.

2 MR. JOHN LANDRY: And if we go over on
3 the second one, okay, which is "CIC" and we go over on
4 page 4 to the definition, you'll see what it says there.
5 It says -- in brackets after the equal sign, it says:

6 "Sum of all incremental energy
7 consumption be above baseline energy
8 consumption level."

9 Do you see that?

10 MR. ROBIN WIENS: Could you refer me
11 again please?

12 MR. JOHN LANDRY: I'm sorry. I
13 apologize. If you go to page 4 --

14 MR. ROBIN WIENS: Yes?

15 MR. JOHN LANDRY: Okay. If you look at
16 the definition of "cumulative incremental ratepayer
17 costs," second -- or second-to-last paragraph.

18 Do you see that? CIC?

19 MR. ROBIN WIENS: Yes.

20 MR. JOHN LANDRY: I apologize. I -- all
21 I've done is read out what's in the brackets at the
22 beginning.

23 "Sum of all incremental energy
24 consumption above baseline energy
25 consumption level."

1 Do you see that?

2 MR. ROBIN WIENS: Yes, I do.

3 MR. JOHN LANDRY: I wonder if you could
4 describe for me what that is, in the -- in -- keeping in
5 mind in the context of this -- this criteria, the second
6 criteria.

7 MR. ROBIN WIENS: Yes. The second
8 criteria was proposed to deal with a situation in which a
9 customer may be seeking to add new load, not necessarily
10 adding -- adding it -- adding increased employment or
11 other economic activity associated with that -- with that
12 new load, but to recognize that it -- it may be
13 sustaining that operation.

14 So what it is saying is we -- we are
15 recognizing that there are no incremental economic
16 benefits, or very few incremental economic benefits
17 associated with that load expansion, but that it is
18 important to maintaining the existing level of activity.

19 So we're saying that we -- if the -- if
20 the -- it's -- one-twentieth (1/20) or 5 percent of the
21 existing level of economic activity is equal to the rate
22 benefits being sought, that that would provide a
23 criterion for -- for exemption.

24 MR. JOHN LANDRY: I under -- I -- I think
25 I understand your -- your -- the -- the criteria. What

1 I'm -- I'm sorry, I probably wasn't as precise as I
2 should have been.

3 I'm just simply looking to understand what
4 that item is:

5 "Sum of all incremental energy
6 consumption above baseline energy
7 consumption level."

8 And let me --

9 MR. ROBIN WIENS: And -- and I was
10 getting there, Mr. Landry.

11 MR. JOHN LANDRY: Okay. Sorry, I
12 apologize.

13 MR. ROBIN WIENS: This -- this was --

14 MR. JOHN LANDRY: You were -- you were
15 giving me a little bit of an introduction before that.

16 MR. ROBIN WIENS: I was giving you the
17 context in which --

18 MR. JOHN LANDRY: Okay.

19 MR. ROBIN WIENS: -- it's defined and I'm
20 -- I'm sorry if I took so long to get to the point.

21 MR. JOHN LANDRY: Okay.

22 MR. ROBIN WIENS: What we're saying, in
23 the absence of that definition of "cumulative" it is
24 possible that a customer could come back year after year
25 and say, I need an expansion based on 5 percent of the

1 existing benefits. So what we said was, Well, when you
2 do that, we're going to look at the entire amount of
3 additional load that you have added since you made the
4 first request.

5 MR. JOHN LANDRY: So you'd say, Since you
6 -- since we established your baseline --

7 MR. ROBIN WIENS: Yes.

8 MR. JOHN LANDRY: -- using the example
9 you and I have been doing which -- assuming that happens
10 in November '08 -- since November '08 -- what's going to
11 go into that -- that item that I just read to you is the
12 sum of any incremental load after that?

13 MR. ROBIN WIENS: That's correct.

14 MR. JOHN LANDRY: Okay. Now, that's
15 where I was having a bit of difficulty, because if you go
16 to Tab 5, sir, of again Exhibit 10, and this is the
17 document as I understand it, sir, that's going to be --
18 that you're asking for approval -- now, albeit I gather
19 there's going to be some changes to it now -- but I had
20 some confusion here.

21 Because if you look under A, B, and C
22 which are you three (3) -- the three (3) type -- criteria
23 that we were just referencing in the discussion paper
24 correctly -- or correct, sir?

25 MR. ROBIN WIENS: Yes.

1 MR. JOHN LANDRY: And the one that we're
2 talk -- and you'll see -- sorry, let me start at the
3 beginning.

4 In "A" the incremental cost is called,
5 and I quote:

6 "Incremental cost of new or expanded
7 load to all ratepayers."

8 Do you see that?

9 MR. ROBIN WIENS: Yes, I do.

10 MR. JOHN LANDRY: And then "B" the exact
11 same expression is used again.

12 Do you see that?

13 MR. ROBIN WIENS: Yes.

14 MR. JOHN LANDRY: And in "C," which is
15 the one we're talking about, the exact same expression is
16 used once again. Is that --

17 MR. ROBIN WIENS: I see that.

18 MR. JOHN LANDRY: Is that another mistake
19 that's been made?

20 MR. ROBIN WIENS: That's another
21 adjustment that would have to be made.

22

23 (BRIEF PAUSE)

24

25 MR. JOHN LANDRY: One (1) further

1 clarification, sir. If -- if we go back to Tab 6, page
2 4, and again, we go that definition that we were talking
3 about, If the -- if the new -- I'm -- I'm dealing with
4 the issue of baseline here, sir, and I'm trying to get my
5 own head around this.

6 But you -- you say in that -- in that
7 phrase that I read out to you, "Sum of all incremental
8 energy consumption above baseline energy consumption" --
9 so I'm -- I'm focusing in on baseline.

10 If the new load is exempted, okay, if the
11 new load is exempted, will that be added to baseline
12 then?

13 MR. ROBIN WIENS: Not for the purposes of
14 applying this EOC over CIC.

15 MR. JOHN LANDRY: Okay. Sorry, I gather
16 what you're saying is that baseline --

17 MS. PATTI RAMAGE: One (1) moment.

18

19 CONTINUED BY MR. JOHN LANDRY:

20 MR. JOHN LANDRY: Oh, sorry, I apologize.
21 I was looking down and I should never do that.

22 I keep pushing -- I -- I gather what
23 you're saying then is the definition of baseline does not
24 include any new incremental load which has been exempted.

25 MR. ROBIN WIENS: Under the provisions of

1 the second exemption criteria, which is based on existing
2 operations --

3 MR. JOHN LANDRY: Okay.

4 MR. ROBIN WIENS: -- the use of existing
5 operations.

6 MR. JOHN LANDRY: So that means in any
7 other case, when we talk about baseline, if there is
8 exempted load that's added to the original baseline to
9 become a new baseline?

10 MR. ROBIN WIENS: Yes, because that's
11 based on incremental benefits.

12 MR. JOHN LANDRY: Okay, just -- just one
13 (1) final point, sir, that -- that sort of strikes me
14 about the difficulty of the -- of the proposal that
15 you're presenting here.

16 You're going to do a calculation and if
17 those calculations are above -- and I'm really focusing
18 here on the first and third calculation, not the -- not
19 the one in between, okay?

20 But if you're focusing on the first and
21 third calculation, you are doing a calculation based on
22 the -- the -- effectively using payroll and taxes and
23 that type of thing, the economic benefit that's going to
24 come from this new user coming to the province, using as
25 new one.

1 Fair -- fair statement?

2 MR. ROBIN WIENS: Yes.

3 MR. JOHN LANDRY: Are you going to
4 continually monitor that to ensure that they still
5 maintain that?

6

7 (BRIEF PAUSE)

8

9 MR. ROBIN WIENS: We would be looking at
10 what would be happening if there were any major changes.

11 MR. JOHN LANDRY: So every year you'll
12 have to effectively recalculate to make sure that they --
13 they maintain what they said they were going to do?

14 MR. ROBIN WIENS: What -- we're talking
15 about only a few customers here.

16 MR. JOHN LANDRY: Well, sir, I -- I know
17 you keep telling me that you're only talking about a few
18 customers, but I would hope if I was living in this
19 province, that you'd be talking a lot more than a few
20 customers in the future. And we -- what we're trying to
21 do is set a rate, so I'm just simply asking the question
22 -- we can have argument later on the point.

23 My question to you is this: For how many
24 customers there are, are you going to have to continually
25 monitor their operations to ensure that they continue to

1 meet your exemption criteria test?

2 MR. ROBIN WIENS: We would have to
3 monitor them on an ongoing basis but not continually. It
4 would be, you know, on an annual or every two (2) years
5 basis.

6 MR. JOHN LANDRY: And what would happen,
7 sir, if they didn't quite meet the test, but it turns out
8 because of, for example, an expansion or because they
9 came into the jurisdiction all of a sudden they had to
10 add fifteen (15), twenty (20), thirty (30), forty (40)
11 new jobs and now they met the exemption criteria?

12 Can they come back to you and say, Guess
13 what, things have changed?

14 MR. ROBIN WIENS: I could only foresee
15 that if they came back and said, Guess what, things have
16 changed, that we would have some discussions with the
17 customer about why things have changed.

18 MR. JOHN LANDRY: But -- and assuming
19 that you could make those discretionary decisions that
20 they actually did relate to the expansion, or the new
21 customer coming into the province, would you then change
22 and give that person the embedded cost rate?

23 MR. ROBIN WIENS: You mean if
24 circumstances had changed and this customer was -- was
25 now either employing more people or for whatever reason

1 the economic benefits of the operation had increased?

2 MR. JOHN LANDRY: That's right.

3 MR. ROBIN WIENS: We would have to look
4 at that.

5

6 (BRIEF PAUSE)

7

8 MR. JOHN LANDRY: Sir, again, I think we
9 both get tied up in the questioning and so I've sort of
10 missed the point, and I apologize for that.

11 As I understand the -- the point, you say
12 there's -- there's going to be very few customers that
13 effectively will not get the exemption.

14 MR. ROBIN WIENS: That's what we expect,
15 yeah.

16 MR. JOHN LANDRY: But I guess my point
17 is, I gather and I -- and I understand you've been out
18 talking to some of these -- these customers in the -- in
19 the MIPUG group, but many of the customers, many of the
20 industrial customers, in your view, will get the
21 exemption.

22 Fair statement?

23 MR. ROBIN WIENS: We believe so.

24 MR. JOHN LANDRY: So it's not the few
25 that you're going to have to monitor every year. It's

1 going to be all of the -- all of your customers, you're
2 going to have to monitor to make sure they still maintain
3 their exemption.

4 Fair statement?

5 MR. ROBIN WIENS: In most cases I would
6 think that the degree to which they meet the criteria are
7 going to be considerable, so it may not be a question of
8 having to monitor each and every one of them. But our --
9 our customer service people are in regular contact with
10 our major customers and would be involved in any
11 discussions related to that.

12 MR. JOHN LANDRY: The difficulty I'm
13 having, sir, is that I do understand the -- the concept
14 of -- as a -- as a very good provider of electricity that
15 you go out, and you deal with an electrical load. What
16 I'm having more difficulty with, sir, is that you're not
17 only going to be talking about their electrical load now,
18 you're going to be talking about their operations and the
19 tax they pay and the direct people that they employ;
20 that's what your customer service people are going to
21 have to look at now.

22 Fair statement? Regardless if it's one
23 (1), two (2), or three (3) customers; we can debate that
24 issue.

25 Fair statement?

1 MR. ROBIN WIENS: Some of this can be --
2 can be fairly easily monitored in terms of the cus --
3 customer signing a waiver to provide information that
4 would go to the provincial authorities regarding
5 taxation. It's something that could be regularly
6 monitored.

7 MR. JOHN LANDRY: My simple point -- we
8 can debate how much detail this is, sir. But my simple
9 point is that's the type of thing that now your customer
10 service people, that's who's going to interface with
11 these people that they're going to have to monitor.

12 Is -- is that a fair statement?

13 MR. ROBIN WIENS: It may be customer
14 service people or it may be others, but there will have
15 to be some of that.

16 MR. JOHN LANDRY: Thank you. My last
17 area of questioning, sir, is at Tab -- relates to Tab 19
18 of Exhibit 10, MIPUG Exhibit 10, and that's the
19 industrial electrical bill comparison that was prepared
20 by my clients.

21 MR. ROBIN WIENS: I see that.

22 MR. JOHN LANDRY: Does the Board have
23 that? Sir, obviously you've had this now overnight.
24 Have you taken a look at this -- at this document?

25 MR. ROBIN WIENS: I've looked at it.

1 MR. JOHN LANDRY: Yeah, do you think that
2 it's a fair reflection of the industrial electric bills
3 and -- or, rates, sorry, in jurisdictions that are
4 reflected there?

5 MR. ROBIN WIENS: I haven't gone and
6 cross-checked each one with other sources, but yeah, it
7 looks reasonable.

8 MR. JOHN LANDRY: Okay. And -- and we do
9 know for sure that obviously at the top, the Manitoba
10 proposed rate of six point five (6.5) cents and obviously
11 the proposed embedded rate of three point two three
12 (3.23).

13 MR. ROBIN WIENS: Yes, and I'm taking it
14 in each case it assumes that the entire load is served at
15 that rate.

16 MR. JOHN LANDRY: That's right. Okay,
17 that's right. In terms of our assumption, that's
18 correct.

19 Now, sir, I guess what's obvious here is
20 that where before -- and I guess we have to go to your
21 rates that are in -- in effect at this point in time, you
22 were the lowest price, and now for all intents and
23 purposes you're either at the top or pretty to the --
24 pretty close to the top of the price range, correct, of
25 the six point five six (6.56) cents.

1 MR. ROBIN WIENS: Yes, again assuming
2 that the entire load is served at that rate.

3 MR. JOHN LANDRY: I'm making that
4 assumption, and we can make that assumption for the rest
5 of my questions, and that's okay.

6 MR. ROBIN WIENS: Sure.

7 MR. JOHN LANDRY: Okay. Now, sir, the
8 one (1) thing that sort of hit me on this is as I
9 understand now, let's assume that we have a new customer
10 that's looking for a place to locate, okay, and -- and
11 obviously as you would expect and what you hear from
12 customers is that one (1) of the issues that they want to
13 look at is what their -- their power rates are going to
14 be; fair statement?

15 MR. ROBIN WIENS: Yes, some more than
16 others but yes.

17 MR. JOHN LANDRY: I accept that. And,
18 sir, let's assume that this new customer is one (1) of
19 the ones like we used yesterday which is pretty close to
20 meeting the exemption criteria but doesn't quite make it,
21 okay?

22 We'll make that assumption?

23 MR. ROBIN WIENS: Sure.

24 MR. JOHN LANDRY: Okay. So here's the --
25 here's the thing that sort of intrigues me about this --

1 about this -- this document, sir. If -- if the customer
2 comes to Manitoba, the rate he will pay, based on our
3 assumption, is six point five six (6.56) cents, correct?

4 MR. ROBIN WIENS: Okay.

5 MR. JOHN LANDRY: Well, based on my
6 assumption, is it yes or no?

7 MR. ROBIN WIENS: You've made the
8 assumption that they failed to make the exemption
9 criteria that -- and that this is a load that would not
10 qualify for any energy at the embedded cost rate. This
11 is the assumptions we're making.

12 MR. JOHN LANDRY: That's right.

13 MR. ROBIN WIENS: That's the rate they
14 would be looking at.

15 MR. JOHN LANDRY: Thank you. Now, if
16 that same custer (sic) decided because your rate was
17 higher than Minnesota's, as an example, okay, if that
18 customer went to Minnesota, okay, based on the
19 assumptions we're talking about, and I'm going to -- I'm
20 going to assume that he'd be the provide -- the power
21 provider would be Manitoba -- sorry, Minnesota Power
22 Company -- he would get effectively a lower rate, five
23 point one seven (5.17) cents, correct?

24 MR. ROBIN WIENS: That's correct.

25 MR. JOHN LANDRY: So -- but the -- but

1 the perverse thing that I -- that comes to me on this,
2 sir, is that if he went to Manitoba, he would get
3 obviously power from the Manitoba system, correct?

4 MR. ROBIN WIENS: That's correct.

5 MR. JOHN LANDRY: If he goes down to
6 Minnesota he may get the same power, the same electrons -
7 - because you sell to Minnesota Power Company -- the
8 same electrons and yet get a -- get a 25 percent lower
9 price?

10 MR. ROBIN WIENS: That jurisdiction is
11 rolling all their costs in and whether -- some are higher
12 and some are lower, and that's the rate that they're
13 offering.

14 MR. JOHN LANDRY: So you would agree with
15 me based on my assumptions?

16 MR. ROBIN WIENS: Yes, I would.

17 MR. JOHN LANDRY: Thank you. Could I
18 just have a moment, Mr. Chair?

19

20 (BRIEF PAUSE)

21

22 MR. JOHN LANDRY: Mr. Chairman, I was a
23 little over my estimate but not too bad so I -- those are
24 all my questions, and I thank the panel.

25 THE CHAIRPERSON: Thank you, Mr. Landry.

1 Okay, we'll take our mid-morning break now and then when
2 we come back, if I understand properly, I think we're
3 going to Mr. Gange and RCM/TREE.

4

5 --- Upon recessing at 10:10 a.m.

6 --- Upon resuming at 10:30 a.m.

7

8 THE CHAIRPERSON: Okay. Ms. McCaffrey,
9 do you want to put this -- this series of letters into
10 the record?

11 MS. TAMARA MCCAFFREY: Certainly, Mr.
12 Chair. At your request, Mr. Chair, you indicated the
13 Board would -- would like to see the letters. If it's in
14 response to a line of questioning by Mr. Peters regarding
15 consultations or lack thereof with -- with government,
16 and my objection was that a member from the Hydro panel,
17 it's not appropriate for them to give evidence from
18 government.

19 With respect to these letters, we're happy
20 to file them. We -- we provided them, they're being
21 submitted.

22 But I want to say at the outset that from
23 an evidentiary point of view -- and I -- and I certainly
24 will argue that -- it from a question of weight -- these
25 -- any kind of statements in a letter or otherwise when

1 you have someone that isn't present, isn't giving direct
2 direction to the Public Utility Board and can't be cross-
3 examined on what they know or don't know or otherwise is
4 of limited weight.

5 But I'm happy to assist the Board if they
6 want to see the letters, we're happy to provide them. So
7 for -- with respect to the record, Mr. Peters referenced
8 two (2) letters that were referred to in the materials
9 but not before the Board.

10 I -- I can tell you that MIPUG's had other
11 -- other contacts with government before and since. But
12 with respect to what was referenced to the record for
13 what it's worth here, the letters are a letter from MIPUG
14 addressed to Jim Rondeau, Minister of Science,
15 Technology, Energy, and Mines, September 26th, 2006.

16 And the response from his office of
17 September 28th, 2006 referring MIPUG to the Minister of
18 Finance and referred your correspondence to the
19 Honourable Greg Selinger for his attention is what -- is
20 what Mr. Rondeau's secretary advised in that letter.

21 And then the second letter was written
22 November 14th, 2006 to Minister Selinger, and the reply
23 is dated November 12th.

24 No, I don't have that correct?

25 THE CHAIRPERSON: I think the November

1 12th --

2 MS. TAMARA MCCAFFREY: This was the
3 response --

4 THE CHAIRPERSON: -- letter precedes the
5 response from --

6 MS. TAMARA MCCAFFREY: Yes, that's right,
7 but I guess I don't seem to have the date in front of me
8 somehow. Just a moment.

9

10 (BRIEF PAUSE)

11

12 MS. TAMARA MCCAFFREY: Okay. You know,
13 I'm sorry, there's some confusion in it, and it's on my
14 part. As I've indicated there's other communications
15 ongoing, and -- I can tell you that.

16 All right, we have the letter -- the
17 response to the letter that was forwarded to Mr. Selinger
18 from September is contained in this letter dated -- it's
19 stamped November 12, '06. I have two (2) stamps on it:
20 one (1), November 7, 2006; it looks like the response.

21 MR. ROBERT MAYER: It looks like November
22 1st, 2006 on the stamp, the one we have.

23 MS. TAMARA MCCAFFREY: Let's -- let's go
24 with that. I think you're right. I think you're right,
25 Mr. Mayer.

1 And then subsequently there is another
2 reply to that letter from MIPUG, November 14, 2006. And
3 with respect to the communication reference in the
4 record, I believe these are the letters that were -- just
5 -- if I could just have a moment.

6

7 (BRIEF PAUSE)

8

9 MS. TAMARA MCCAFFREY: So subject to any
10 questions, that's what were -- that what's we have. We -
11 - we hope that that's what was referred to with respect
12 to the cross-examination and my conversations with Ms.
13 Ramage.

14 But maybe Ms. Ramage can advise if there's
15 something else.

16 THE CHAIRPERSON: Ms. Ramage...?

17 MS. PATTI RAMAGE: Yes, I don't -- I --
18 when Manitoba Hydro referred to two (2) letters, I do not
19 believe that the letter from Mr. Rondeau's correspondence
20 secretary was one (1) of those two (2) letters we were
21 referring to.

22 And without -- I don't have the MIPUG side
23 of this chain. This is the first time I've seen the
24 MIPUG side of the chain.

25 But I believe there's a subsequent letter

1 I suspect responding to the November 14th letter, and
2 that was the two (2) that we were referring to.

3 The September 28th and then a piece of
4 correspondence which I suspect responds to this November
5 14th letter which I think is a little more substantive
6 than the corres -- the Rondeau letter.

7 MS. TAMARA MCCAFFREY: You know, Ms.
8 Ramage is correct. There is another response to this and
9 -- and she's right. And I thought that -- when I looked
10 at this quickly I thought this was -- that it was
11 contained here, but I see that she is -- that she is
12 correct.

13 I can tell you Mr. Turner is going to be
14 here at 1:15 and he's going to be prepared to -- to deal
15 with any questions, but I don't know if I have that other
16 letter here this morning; I don't think I do.

17 But she -- she is right. She is right;
18 there is another letter. And I apologize for the
19 confusion. I -- I did look at this and I -- I thought we
20 had the right ones, but I -- I guess the dates confused
21 me.

22 THE CHAIRPERSON: Ms. Ramage, you have
23 the other letter?

24 MS. PATTI RAMAGE: Yes, I have it in the
25 backroom.

1 THE CHAIRPERSON: Okay. Do you mind
2 conferring with Ms. McCaffrey and maybe we can get that
3 one filed too and complete the circle.

4 MS. PATTI RAMAGE: Certainly.

5 MS. TAMARA MCCAFFREY: We have no problem
6 with that. I -- I believe it's the letter that Ms.
7 Ramage and I talked about last week when we had this
8 discussion.

9 Am I right, Ms. Ramage?

10 MS. PATTI RAMAGE: I believe so. It
11 would be nice to have them in front of us so that we were
12 sure --

13 MS. TAMARA MCCAFFREY: You know, my
14 apologies, I thought -- I thought it was contained here.
15 I can tell you that Mr. Turner will be prepared to deal
16 with any questions from the Board with respect to these
17 letters when he comes here this afternoon.

18 THE CHAIRPERSON: That's fine.

19 MR. ROBERT MAYER: We would, however,
20 like to have all of them.

21 MS. TAMARA MCCAFFREY: That's -- that's
22 fine.

23 MS. PATTI RAMAGE: That's all that I know
24 of.

25 THE CHAIRPERSON: Okay, well then, Ms.

1 Ramage, if Ms. McCaffrey doesn't have any difficulties
2 with it maybe you can drop it off with us this afternoon.

3 MS. PATTI RAMAGE: Yes, we can do that.

4 THE CHAIRPERSON: Mr. Peters...?

5 MR. BOB PETERS: I take it we'll just
6 mark these MIPUG-11 and anticipate a total of five (5)
7 letters when --

8 THE CHAIRPERSON: Yes, we'll just keep
9 them all together, a bundle.

10 MR. BOB PETERS: That would be my
11 suggestion, subject to any comments from Ms. McCaffrey.

12

13 --- EXHIBIT NO. MIPUG-11: A letter to Jim Rondeau, Sept
14 26/'06; letter to Bill
15 Turner, Sept 28/'06; a letter
16 to Bill Turner, Nov 1/'06; a
17 letter to Greg Selinger, Nov
18 14/'06

19

20 THE CHAIRPERSON: Okay. Well, now we'll
21 move on.

22 Okay, for RCM/TREE, Mr. Gange...?

23

24 CROSS-EXAMINATION BY MR. BILL GANGE:

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

1 can advise you, Mr. Chair and members of the panel, I do
2 not intend to be very long in the cross-examination.

3 So we'll start -- Mr. Wiens, prior to
4 today's cross, we had provided to Ms. Ramage a request
5 for further information with respect to one of the
6 information requests.

7 Do you have information -- or do you have
8 further information as -- as we had asked for?

9 MR. ROBIN WIENS: Well, I do have. I'm
10 not sure it's specifically that to which you are
11 referring, but we do have a document here.

12 MR. BILL GANGE: Okay. One (1) of the
13 things that we had asked -- we'd asked in -- with respect
14 to RCM/TREE, Information Request First Round 8-F, to
15 confirm that Manitoba had -- has moved from its former
16 position of the lowest average rates in North America to
17 eighth lowest of the tenth -- of the ten (10) on the
18 list.

19 Is that correct?

20 MR. ROBIN WIENS: We -- where have
21 document. Yeah, that's -- that's the one that I have
22 here.

23 And yes, it is -- it is correct, as a
24 result largely of exchange rate movement, because I
25 believe all of the other utilities except for Manitoba

1 Hydro and British Columbia Hydro are US utilities, so the
2 exchange rate has had that effect.

3 I -- I would point out also that this
4 ranking is -- this is -- well, this is a residential --
5 the second one is a residential bill, but you're looking
6 here, I believe, in the first question you're looking at
7 total revenues divided by total retail kilowatt hours
8 sold.

9 So that ranking probably would not have
10 changed between the two (2) periods, absent the exchange
11 rate. But there are other factors that affect the
12 ranking, and one (1) of the factors that we've noticed
13 with some of the utilities in here -- and they are
14 individual utilities, these are not state-wide averages,
15 they're individual utilities -- some of them have as much
16 as 80 percent of their load served at high voltage, so
17 that would tend to effect the average revenue per
18 kilowatt hour.

19 MR. BILL GANGE: Is there anything else
20 in terms of the anomalies that you've taken a look at?

21 MR. ROBIN WIENS: There may be others,
22 but the one that we have taken a look at in some cases is
23 the nature of the load being served.

24 MR. BILL GANGE: Okay. And one (1) of
25 the requests that we asked to provide bill comparisons

1 for a residential consumption of 300 kilowatts per month,
2 600 kilowatts per month, and 900 kilowatts per month.

3 MR. ROBIN WIENS: Yes.

4 MR. BILL GANGE: Has that been done?

5 MR. ROBIN WIENS: Yes, that's been done.

6 MR. BILL GANGE: I wonder if we could --
7 if that's been prepared, Ms. Ramage, could that be
8 provided to us, so that we -- we have that information on
9 the record?

10

11 (BRIEF PAUSE)

12

13 MR. ROBIN WIENS: Mr. Gange, we haven't
14 prepared it precisely according to your request because
15 that information was not available. You wanted 300, 600,
16 and 900, and what we've looked at is 500, 750 and 1000
17 kilowatt hours a month, because that's the way their data
18 is organized.

19 MR. BILL GANGE: And that's file with me
20 as long -- I -- I don't think there was any magic on our
21 part in terms of trying to look at that, so whatever it
22 was that you were able to come up with, if we could be
23 provided with that, that would be great.

24

25 (BRIEF PAUSE)

1 MS. PATTI RAMAGE: Mr. Gange, I don't
2 have additional copies right now. I can provide one (1)
3 to you and I think Mrs. -- Ms. Fernandes --

4 THE CHAIRPERSON: If it's a single sheet
5 Mr. Gaudreau can soon take care of it.

6 MS. PATTI RAMAGE: Okay.

7

8 (BRIEF PAUSE)

9

10 THE CHAIRPERSON: While he's doing that
11 is it possible, Mr. Gange, to you to move on and we come
12 back to it?

13

14 CONTINUED BY MR. BILL GANGE:

15 MR. BILL GANGE: It certainly is, thank
16 you, Mr. Chair.

17 Mr. Wiens, if you could take the -- the
18 rebuttal, because I'm going to make a couple of
19 references to the rebuttal evidence, and in particular
20 the comments that were made with respect to the evidence
21 of Mr. Wiens' -- pardon me, with Mr. Weiss and -- and Mr.
22 Chernick, that would be great.

23 MR. ROBIN WIENS: I have that in front of
24 me.

25 MR. BILL GANGE: Thank you. At -- at

1 page 63, so the second last page -- the third last page.
2 I had been admonished here, Mr. Wiens.

3 MR. ROBIN WIENS: That's okay, page 63 is
4 good enough.

5 MR. BILL GANGE: Thank you. At -- at
6 lines 19 and 20 the -- the statement is made that it's,
7 meaning Manitoba Hydro, Manitoba's Hydro's revenues are
8 not obtained through taxation, but are rather payments
9 for service from customers. That is a point that's being
10 made back at -- in terms of some comments that Mr. Weiss
11 made.

12 You see that point, sir?

13 MR. ROBIN WIENS: Yes, I do.

14 MR. BILL GANGE: It seems to me obvious,
15 and I apologize for -- for questioning you on the
16 obvious, but that's in reference to -- to all customers,
17 including export customers, so that Manitoba Hydro's
18 revenues obviously do not come only from Manitobans, but
19 the revenues come from outside Manitoba as well.

20 MR. ROBIN WIENS: That's correct.

21 MR. BILL GANGE: And so that -- that all
22 -- although the revenues -- well and -- and the -- the --
23 approximately 30 percent, somewhere in that range or in
24 that area, of revenues come from export sales rather than
25 from domestic customers?

1 MR. ROBIN WIENS: It varies from year to
2 year, but 30 percent is pretty close.

3 MR. BILL GANGE: And again, it seems
4 obvious from the material that's been filed, none of the
5 domestic customers -- none of the domestic customers, is
6 paying the full cost of -- of service.

7

8 (BRIEF PAUSE)

9

10 MR. ROBIN WIENS: The resi -- the -- the
11 domestic customers are -- are paying costs which are
12 based on the -- if you -- the embedded cost in the Cost
13 of Service Study, but if you look at other cost concepts
14 certainly that's quite true, Mr. Gange.

15 MR. BILL GANGE: Yes. And -- and the
16 reason or part of the reason and -- and part of Hydro's
17 philosophy in terms of wanting to make export sales is
18 that -- is that the revenue from those export sales helps
19 to keep costs in Manitoba down -- or pardon me, keeps the
20 prices down, not the costs down.

21 MR. ROBIN WIENS: For domestic customers.
22 That's been the practice, yes.

23 MR. BILL GANGE: Yes. And -- and the way
24 that I would express that is that as a result of export
25 sales, all domestic customers receive a subsidy by virtue

1 of the profit that's earned from the export sales.

2 MR. ROBIN WIENS: Relative to the
3 situation that would exist had there been no export
4 sales, yes.

5 MR. BILL GANGE: Right. Okay, thank you.
6 Sir, if you go to page 53 of the rebuttal evidence,
7 there's a discussion in the rebuttal evidence of customer
8 impacts of Mr. Chernick's recommendations.

9 MR. ROBIN WIENS: Yes.

10 MR. BILL GANGE: And the -- the table
11 that is -- has been prepared by Manitoba Hydro
12 establishes your analysis which would suggest that, under
13 Mr. Chernick's model, the percent changes at the 5,000
14 kilowatt hours is 7.07 percent.

15 MR. ROBIN WIENS: I see that.

16 MR. BILL GANGE: And your comment -- and
17 whether it's your comment, but Hydro's comment in
18 response to -- to Mr. Chernick is that Manitoba's Hydro -
19 - Manitoba Hydro's general rate making objectives have
20 been that there will be given a class average increase of
21 2.9 percent. The guideline limits individual customer
22 increases to not more than 5.9 percent accepted low
23 volumes.

24 Do you see that, sir?

25 MR. ROBIN WIENS: I do.

1 MR. BILL GANGE: I wonder if you could
2 explain to me what the rationale for that upper most
3 limit of 5.9 percent is.

4 MR. ROBIN WIENS: It's actually -- it's a
5 -- it's a fairly long standing policy approved by
6 Manitoba Hydro that is intended in the case of rate
7 increases to limit individual customer impacts and the
8 rationale is customer sensitivity gradualism.

9 MR. BILL GANGE: Right. Would it be fair
10 for me to say that there's no magic in that 5.9 percent?
11 It's a number that Hydro has chosen, and as you say, it's
12 been a long standing practice.

13 But there's no -- there's no hard and fast
14 situation on that is there, sir?

15 MR. ROBIN WIENS: Well presumably, I
16 guess, another -- another level could have been chosen,
17 but the -- in approving these guidelines, what was
18 cognizant of what the impact of individual rate changes
19 were and made a determination that that was as high as
20 they wanted to go.

21 I -- I could add that because this is
22 longstanding, it goes back to an era in which customers
23 were perhaps actually accustomed to general price level
24 increases that are quite a bit more than what -- what we
25 see today.

1 So if -- I -- I don't want to speak for
2 the -- the, I believe it's the Board of Manitoba Hydro
3 that -- that approved this, but if they were looking at
4 the same conditions today and had the same level of
5 concern to the extent that it would be different, it --
6 it could conceivably be even lower because of the fact
7 that, as I say, this was established at a time of higher
8 inflation, general inflation rates.

9 MR. BILL GANGE: But not likely
10 established in a time where, for instance, other energy
11 costs have been escalating at -- at a rate unheard of.
12 For instance, the -- the cost of oil is certainly -- has
13 certainly outstripped anything that -- that we've seen
14 before.

15 Isn't that the case, sir?

16 MR. ROBIN WIENS: Well, Mr. Gange, that
17 certainly may appear to be the case, and I would agree
18 with you that we are seeing commodity price increases of
19 a fairly large magnitude in recent years, but back in the
20 1970s, we saw something similar as well, so it's -- it's
21 not -- it -- it may be something that we're not
22 accustomed to on a regular basis, but certainly something
23 that we've seen before.

24 MR. BILL GANGE: But basically your --
25 your point is that -- that rather than exposing customers

1 to the -- the concept of rate shock, there's -- there's
2 been a limit of -- of this amount set by the Board of --
3 of Manitoba Hydro for some considerable period of time.

4 That's a fair -- fair assessment?

5 MR. ROBIN WIENS: It's a limit that's
6 been set by the Board of Manitoba Hydro.

7 MR. BILL GANGE: Yeah, and to protect
8 from rate shock.

9 MR. ROBIN WIENS: To protect from rate
10 shock or -- or what they felt was undue impact on
11 individual customers.

12 MR. BILL GANGE: All right. Prof -- am I
13 right on this, sir, that -- that, with respect, on the
14 gas side, the -- the rate shock concept has been higher
15 than that, and it's been about 10 percent, hasn't it, as
16 -- as a maximum?

17

18 (BRIEF PAUSE)

19

20 MR. ROBIN WIENS: On the gas side, the
21 market price is passed on to customers. In terms of the
22 distribution rates, we haven't experienced, certainly in
23 my recollection, anything even close to 10 percent for
24 increases.

25 MR. BILL GANGE: But -- but the -- when

1 you say that the cost of gas is passed on to customers so
2 that the customers themselves, not being able to
3 distinguish between those various factors of -- of the
4 Hydro -- or pardon me, of the Centra charges, the -- the
5 customers have had to deal with that issue; have they
6 not, sir?

7 MR. ROBIN WIENS: They may or may not be
8 able to distinguish that, that's quite correct. And
9 they've -- they've had to deal with pass-through costs of
10 the natural gas commodity which tend to be more volatile
11 certainly than what we see on the electric side in terms
12 of the prices charged to customers, both in an upward and
13 downward direction.

14 MR. BILL GANGE: Thank you. The -- the
15 2.9 percent that's -- that's mentioned at line 10 which
16 would then result in -- in increases of not more than 5.9
17 percent, does that apply across the board in -- in the
18 residential class no matter what size the -- the -- of
19 user?

20 MR. ROBIN WIENS: No, Mr. Gange, the 2.9
21 percent is the class rate increase overall. The
22 different elements in the rate structure are
23 differentially -- in -- in Manitoba Hydro's application
24 virtually the entire increase is showing up in the tail
25 block, so customers that use larger amounts of energy

1 will see increases greater than 2.9 percent, but
2 according to this guideline, we would restrict to not
3 more than 5.9 percent.

4 MR. BILL GANGE: Yes, thank you. But --
5 and -- and that's -- that was the point that I -- that I
6 hoped to be able to ask you. The 5.9 percent, that
7 applies to -- to all residential users no matter -- no
8 matter how large the user.

9 Is that -- is that fair?

10 MR. ROBIN WIENS: No, the 2.9 percent is
11 an average increase to the class.

12 MR. BILL GANGE: Yeah.

13 MR. ROBIN WIENS: Depending on how much
14 the individual customer uses, there will be a different
15 monthly bill increase.

16 MR. BILL GANGE: Except that your -- your
17 comment is, "This guideline limits individual customer
18 increases to not more than 5.9 percent."

19 MR. ROBIN WIENS: That's correct.

20 MR. BILL GANGE: So that's -- that --
21 that 5.9 percent, that's the maximum.

22 MR. ROBIN WIENS: That's the maximum --

23 MR. BILL GANGE: Yes, thank you.

24 MR. ROBIN WIENS: -- to an individual
25 customer.

1 MR. BILL GANGE: Thank you, sir. I --
2 that was -- that -- that's great, thank you. And -- and
3 the point that's being made in response to Mr. Chernick's
4 recommendations, you come to a conclusion that for the --
5 over 5,000 kilowatt hours, the percentage change would be
6 in addition. It would be 7.07 percent so it would
7 violate that 5.9 percent.

8 MR. ROBIN WIENS: It -- it would violate
9 that guideline that -- that we work within our rate
10 application.

11 MR. BILL GANGE: Would it be possible,
12 sir, for you redo this chart, Manitoba Table -- Manitoba
13 Hydro Table 13, so that the percent to change in that
14 bottom right hand corner is 5.9 percent?

15

16 (BRIEF PAUSE)

17

18 MR. ROBIN WIENS: Yes, Mr. Gange. You
19 understand what -- what we have to do is we have to take
20 some liberties with Mr. Chernick's recommended rates.

21 And we would have to -- we would do this
22 on a class revenue-neutral basis. So you would see --
23 there's any number of possible ways we could address it,
24 and perhaps -- perhaps you may want to discuss some of
25 them now so that we can get you precisely what you're

1 looking for.

2 If you wanted to, for example, keep the
3 basic charge that was recommended by Mr. Chernick at that
4 level, then we only have the first of the tail block to
5 play with.

6 Or if you wanted to define some other
7 constraint on this exercise, we would undertake to do it
8 that way. We can do that ourselves of course, but you
9 may prefer to see it...

10

11 (BRIEF PAUSE)

12

13 MR. BILL GANGE: Mr. Chernick's comment
14 to me is to keep the -- his request would be to keep the
15 basic charge at four seventy-four (474) and then adjust
16 the -- the first block charge and the tail block charge.

17 MR. ROBIN WIENS: We'll undertake to do
18 that.

19 MR. BILL GANGE: Thank you.

20 MR. ROBIN WIENS: We would of course keep
21 the same block size as we used in this example as well.

22 MR. BILL GANGE: Yes, that's acceptable,
23 thank you.

24

25 --- UNDERTAKING NO. 88: Manitoba Hydro to redo for

1 RCM/TREE, Manitoba Hydro
2 Table 13, keeping the basic
3 charge at four seventy-four
4 (474) and then adjust the
5 first block charge and the
6 tail block charge
7

8 CONTINUED BY MR. BILL GANGE:

9 MR. BILL GANGE: Mr. Wiens, one (1) of
10 the other topics that was raised by Mr. Chernick was that
11 there should be -- there should be consideration for
12 houses that are all-electric in terms of -- of the
13 initial tail block or the -- the initial -- the first
14 level that that -- that that block should be larger for -
15 - for customers that are using all-electric heat.

16 Do you recall that?

17 MR. ROBIN WIENS: Yes, I do.

18 MR. BILL GANGE: And as I read the -- the
19 material in response, there's -- there's a resistance, to
20 a certain degree, by Manitoba Hydro to that -- in terms
21 of your response that there's no way to determine who it
22 is that would qualify under that -- under that provision.

23 MR. ROBIN WIENS: What we're saying is
24 that it's not a simple matter to identify who precisely
25 is using electric heat for them all or the majority of --

1 of their heating purposes and to maintain a data base to
2 that affect on an ongoing basis.

3 We've got approximately four hundred
4 thousand (400,000) or so residential customers and
5 somewhere around one third (1/3) of them are electrically
6 heated homes, we believe, so that -- it's a fairly large
7 data base to try to maintain.

8 MR. BILL GANGE: But do your records,
9 sir, not have a determination of the heating source
10 already?

11 MR. ROBIN WIENS: Well, they do, Mr.
12 Gange, but we don't have confidence that that's a hundred
13 percent accurate. In a lot of cases what's happened is a
14 code has gone in at the time the service was extended and
15 that may have been many, many years ago.

16 There's also the situation where under the
17 current -- under the current energy taxation regime in
18 this province, customers have an incentive to report that
19 they are heated by electricity, particularly if they're
20 not in a gas-served area which they would also have, of
21 course, with this type of a rate structure.

22 MR. BILL GANGE: I -- I appreciate that.
23 But -- but given that you do have records that -- that
24 has -- that do disclose a -- a source of heating, that --
25 that's a possible method by which such an initial energy

1 block could be -- could be assessed, is it not, sir?

2 MR. ROBIN WIENS: Well, I think it's
3 probably something that we could use as a basis of
4 analysis to take a look at how we might design the rate
5 and what the impacts of such a rate were. The -- I'm not
6 convinced yet that we want to be setting a rate based on
7 what is essentially something that we would be relying on
8 the consumer themselves to police.

9 I'm -- I'm not saying, Mr. Gange, that
10 we're not sympathetic to suggestions along the line that
11 Mr. Chernick has made. We have had some discussion, I
12 believe, with -- with Mr. Peters and -- and with Mr.
13 Williams about that, and that's certainly a consideration
14 that we'll have going forward.

15 It's -- I just wanted to make this Board
16 and -- and the participants here aware that it's -- it's
17 not as simple a matter as it may appear on the surface.

18 MR. ROBERT MAYER: Mr. Wiens, as I think
19 I indicated earlier, this surprised me that you don't
20 have really accurate information on who's heating their
21 water with electricity or who's heating their home with
22 electricity. Is this a technology problem that could be
23 resolved by more advanced metering?

24 I know that in Florida, for example, they
25 can, in fact, shut off the -- somebody's air

1 conditioning. After they've signed an agreement, they
2 can shut it off if they -- if I recall correctly, for a
3 half hour every three hours and actually meter that and -
4 - and actually shut the equipment off.

5 I know that the telephone system has some
6 ability to actually repair or to look after my telephone
7 from their main office in Thompson.

8 I am informed by people who understand
9 computer technology that a service deliverer can do all
10 kinds of stuff from somewhere else. So I have to believe
11 that somehow there's got to be a way that Manitoba Hydro
12 can tell me if I'm using my furnace to heat my home.

13 MR. ROBIN WIENS: Well, I -- I don't have
14 a great deal of familiarity with such technology so I can
15 only speak to that at a high level that presumably one
16 could do sub-metering of some sort or meter the sources
17 individually. There's -- there's some issues with that.
18 One of them is cost. Another -- another one is, is it --
19 is it something that -- that you can rely on to provide
20 accurate data.

21 MR. ROBERT MAYER: The reason I ask is I
22 recognize that it's not here yet, but we have been
23 talking to some extent about more sophisticated metering,
24 especially when we dealt with that whole issue of -- of
25 the Smart meters and dealt with it in the previous Panel.

1 MR. ROBIN WIENS: We certainly think we
2 could make some progress in that direction, even within
3 the scope of the advanced metering technology that we're
4 looking at, but again, it's not without -- without a
5 price.

6 MS. SUSAN PROVEN: Can I just ask: Isn't
7 it more a case of the fact that electrical heating takes
8 many different forms?

9 For example, there could be the furnace,
10 which Mr. Mayer suggested; but then there's the baseboard
11 heaters, right, and many of these homes would have
12 baseboard heaters; then there's the type of heating I
13 know that's done through the floor electrically; and then
14 there's me with the supplemental heaters that are just
15 1,500 watt heaters.

16 And what I've noticed is it's a 9,000
17 kilowatt hour per month block or that's the barrier or
18 defining line isn't it, that you've suggested?

19 MR. ROBIN WIENS: 900 kilowatt hours --

20 MS. SUSAN PROVEN: Or nine hundred (900)
21 -- nine hundred (900), right.

22 So I looked up my bill, and I could see
23 that most of the time I'm under that, but the minute I
24 turn on an electrical heater, I can see I'm going over
25 it. I can see that from my bills, so I'm thinking -- and

1 -- and I do have hot water heater that is electrical so
2 I'm thinking that most of the time if I didn't turn on
3 any heat, electric heat, I would be below the nine
4 hundred (900).

5 So would that be what you were attempting
6 to do was just get the basic sort of light bulbs, stove,
7 fridge, hot water heat, and then the minute the person
8 starts to heat electrically, you were trying to capture
9 that?

10 Is that what you were thinking?

11 MR. ROBIN WIENS: Well, we're used --
12 other -- it could be other uses above the basi -- basic
13 two (2). Some people have mentioned, for example, hot
14 tubs in -- in this process so it -- it was intended to
15 set a baseline for -- for basic service. But we -- we
16 do understand and we do appreciate that as we move
17 forward, we need to do some more work with this and some
18 more work is along the lines that we've been having some
19 discussion about in this proceeding.

20 And to go back to your earlier question:
21 Is -- isn't it an issue that there are different types
22 of technology?

23 Yes, there are, and there are different
24 types of uses made. People may, within the city of
25 Winnipeg, have -- have a primary heating source that is

1 natural gas but at certain times of the year or when they
2 want to make use of certain rooms within their house,
3 they have supplemental electric heat.

4 Some customers may use electric heat for a
5 significant part but not all of their heating.

6 Wood/electric has -- is -- is a combination I understand
7 is in use in some parts of the province.

8 So it's -- it's not just cut and dried
9 which customer is using electric heat and -- and to what
10 extent they rely on it.

11 MS. SUSAN PROVEN: Thank you.

12

13 CONTINUED BY MR. BILL GANGE:

14 MR. BILL GANGE: Mr. Wiens, the -- the --
15 you made a comment during one (1) of the responses that -
16 - that Manitoba Hydro is not unsympathetic to the -- the
17 proposal that Mr. Chernick has made. It's -- it's a
18 question of details and -- and how that would be worked
19 out.

20 MR. ROBIN WIENS: In broad terms
21 attempting to differentiate between a customer that's
22 reliant on electric heat and those that aren't, that's a
23 concept that we definitely want to explore further.

24 In -- in so doing, we may ultimately, you
25 know, have -- have considerable disagreement with -- with

1 what Mr. Chernick's proposing with regard to the details
2 but with regard to the substantive aspect of it, we
3 definitely want to deal with that.

4 MR. BILL GANGE: Thank you. And -- and I
5 take it that -- well, one (1) of the things that you've
6 been wrestling with and -- and perhaps this Board has to
7 wrestle with is the reliability and determination of who
8 it is that would qualify for that larger initial energy
9 block due to the -- the circumstances that they must heat
10 their home electrically.

11 MR. ROBIN WIENS: That's correct.

12 MR. BILL GANGE: And -- and one (1) of
13 the ways that -- that could be done, aside from your
14 records that you have that -- that may not be terribly
15 precise or -- or completely precise, but one (1) of the -
16 - the main ways could be simply self-reporting by the --
17 by the customer.

18 MR. ROBIN WIENS: Well, that is one (1)
19 way, but -- but as you can appreciate that -- that there
20 -- there are certain incentives in that type of a system
21 that may not lead to the greatest result in terms of
22 efficiency.

23 MR. BILL GANGE: And -- and it may be
24 that some people slip through the cracks unfairly and --
25 and claim that type of benefit when they don't deserve

1 it. That's one (1) of your concerns?

2 MR. ROBIN WIENS: Well, that would be a
3 concern.

4 MR. BILL GANGE: Right.

5 MR. ROBIN WIENS: You know, without
6 giving it a whole lot of thought even if you -- even if
7 you established a regime where you were dealing with
8 self-reporting, I think you would still have to engage in
9 some monitoring function as a utility in -- in order to
10 maintain the integrity of that sort of -- of approach.

11 MR. BILL GANGE: Right. I -- I take it
12 though that one of the -- one of the other ways with
13 respect to new homes would be -- could be through the
14 Power Smart program in that -- that the Power Smart --
15 Smart program does contemplate visits by -- by Manitoba
16 Hydro in terms of setting that up?

17 MR. ROBIN WIENS: With new homes,
18 typically, my understanding is anyway, that you can get a
19 -- you can get a good idea of what is the primary heating
20 source in the home. And that's true at the time that the
21 Power Smart person or the electrical inspector or whoever
22 it may be visits the home. It's not necessarily true on
23 an ongoing basis.

24 MR. ROBERT MAYER: Mr. Wiens, that --
25 that's -- I -- I accept the fact that that is probably

1 true if we're being really precise, but you could surely
2 tell that if my energy bill -- you find out that the
3 climate or that the temperature in Thompson in September
4 or Oct -- October has suddenly dropped and you find that
5 my electricity bill is going up.

6 One would think you could assume that
7 either I have turned on my electric heat or I have
8 started a grow-op, and most of the time you wouldn't
9 suspect the grow-op because you don't necessarily only do
10 that in winter.

11 So I'm thinking you could be a little --
12 you could probably be reasonably accurate. Nobody's
13 going to be 100 percent and nobody expects 100 percent,
14 but I'm having a little difficulty -- I mean Revenue
15 Canada works on -- or whatever they call it this week --
16 works on self-reporting, and if you get caught, serious
17 things happen to you.

18 A similar type of reporting on provincial
19 tax can result in similar type of consequences, so I'm
20 not so sure that your concern is as great as you would
21 have us believe.

22 MR. ROBIN WIENS: Well, Mr. Mayer, you --
23 you reference Revenue Canada. I'm not sure that Manitoba
24 Hydro wants to be behaving in a similar manner to Revenue
25 Canada. But it's still -- it's still an instructive

1 analogy because revenue -- yes, taxpayers do self report,
2 but they're also audited. And the audit function, again,
3 is not without a cost to Revenue Canada.

4 And certainly monitoring, monitoring usage
5 and placing identifying constraints in the system is
6 something we could do, but it is still a monitoring
7 function and it still requires resources. I just can't
8 say whether at this point, whether the resources expended
9 are -- are worth the results. So that's something we
10 need to look at.

11 MR. ROBERT MAYER: And spot energy audits
12 are not unheard of.

13 MR. ROBIN WIENS: Easier to do in some
14 situations than in others.

15

16 CONTINUED BY MR. BILL GANGE:

17 MR. BILL GANGE: Thank you, sir. I'd
18 like to move to page 51 of the rebuttal. And on pages 51
19 and 52, Hydro responds to Mr. Chernick's recommended
20 reduction and ultimate elimination of the monthly basic
21 charge.

22 And -- and there are a number of concerns
23 that are raised.

24 MR. ROBIN WIENS: Yes?

25 MR. BILL GANGE: Can -- can you summarize

1 what those -- what those concerns are for me, sir?

2 MR. ROBIN WIENS: Well, the first concern
3 is that we are dealing with real cost. Yes, there's some
4 costs so they're not the same necessarily in all cases as
5 -- as ongoing costs, but there are some costs, and they
6 do represent fixed costs.

7 So they -- so they're real, and they're
8 reviewed by this Board at a regulatory construct. This
9 Board also reviews gas rates, so both Manitoba Hydro and
10 this Board have to be cognizant of the types of changes
11 that occur -- that are occurring in one versus the other,
12 which is the second point.

13 And -- and the third point is simply that
14 even if we did eliminate the basic charge entirely, it's
15 not an entire solution to the issue of the marginal cost
16 gap. That's not a reason not to do it if you think on
17 other grounds that you should do it, but that was just
18 something we were pointing out.

19 MR. BILL GANGE: Again, is it fair --
20 because when I read this, I -- I'm not -- I'm not taking
21 from the rebuttal that Hydro is -- is adamantly opposed
22 to Mr. Chernick's proposal.

23 You're just saying, Well, that has to be
24 approached with caution.

25 Is -- is that a fair?

1 MR. ROBIN WIENS: I -- I think -- I think
2 that's a fair depiction.

3 MR. BILL GANGE: In terms of the first
4 comment that you made, the customer related costs are
5 real costs, the -- the final sentence of -- of the
6 rebuttal at -- so lines 22 to 24 talks about particular
7 customer groups have a higher -- that have a higher
8 propensity to shut down -- for example, vacant apartments
9 -- will be subsidized by homeowners and other renters.

10 So it's -- it's that subsidiza --
11 subsidization issue that arises here.

12 Is that correct, Mr. Wiens?

13 MR. ROBIN WIENS: It's a perspective on
14 it, yes it is.

15 MR. BILL GANGE: And --

16 MR. ROBIN WIENS: But the only thing that
17 we provide -- I mean, that's not necessarily going to be
18 taken from it, and I'm -- there's many customers who
19 would be quite happy to see the basic charge eliminated,
20 because customers in the past have typically seemed,
21 Well, I -- I pay this, but I don't get anything for it.

22 Well, yes you are getting something for
23 it, but they don't always perceive that they're getting
24 something for it. So I -- I think your characterization
25 is that before making a choice like that we -- we want to

1 be cautious, we -- we don't want to go pell-mell into
2 eliminating basic charges.

3 We may want to consider something like a
4 minimum charge rather than a basic charge. And I'm not
5 putting that out as an alternative today as something
6 that we would seriously recommend, but it was something
7 that we would probably want to look at if we were going
8 to go the route that -- that Mr. Chernick is recommending
9 and eliminate it altogether.

10 We -- in Manitoba today we have a basic
11 monthly charge for electricity that it may -- it's not
12 the lowest in the country, but it's certainly one of the
13 lowest, and not just in Canada, but on the continent.

14 MR. BILL GANGE: In -- in terms of the --
15 the subsidization of -- of one (1) user group, as you've
16 defined at lines 22 to 24, subsidizing another user group
17 -- and the example that was used by Manitoba Hydro here
18 was the -- the vacant apartments being subsidized by
19 homeowners and other renters -- there are other ways that
20 one could look at the subsidization issue though.

21 And -- and I'm going to put an example to
22 you or a theory to you, sir, that one of the ways that --
23 that the -- this Board could look at subsidy goes back to
24 that -- one of the first questions that I asked.

25 And that is that, in essence, all domestic

1 users are being subsidized to an extent by export sales,
2 export revenues?

3

4

(BRIEF PAUSE)

5

6 MR. ROBIN WIENS: Yeah, and -- and you
7 know, we talked about that, and I said -- my response was
8 that depending on the cost concept that you utilize, that
9 would be true.

10 MR. BILL GANGE: And -- and the way that
11 RCM/TREE looks at that -- that issue, and -- and given
12 the -- the qualification that you just raised, which is
13 that it depends upon the methodology that is used, but --
14 but if one accepts that -- that there is a subsidization
15 by virtue of the export sales, that subsidy is being
16 applied per kilowatt hour of usage.

17 MR. ROBIN WIENS: Well, not necessarily.
18 It's being applied to all elements in the rate structure.
19 So yes, it does -- it does affect the rate per kilowatt
20 hour, but it also affects demand charges and basic
21 monthly charges as well.

22 MR. BILL GANGE: But for -- when it's
23 looked at from the perspective of -- of -- that it's a
24 subsidy per kilowatt hour, the larger the user, the
25 greater subsidy that's obtained by virtue of the -- of

1 the export sales.

2 Is that fair?

3

4 (BRIEF PAUSE)

5

6 MR. ROBIN WIENS: Depending on the cost
7 concept that you employ, that could be true.

8 MR. BILL GANGE: And using -- if -- if
9 I'm continuing on that same path, one of the other ways
10 of -- of approaching that subsidy would be rather than
11 applying it on a -- on a per kilowatt hour basis, it
12 could be applied per customer?

13 MR. ROBIN WIENS: It could be applied to
14 the more inelastic parts of the basic -- of -- of the
15 rate structure, yes, it could.

16 MR. BILL GANGE: And if it were used in
17 that way, it -- it would not be difficult to design a
18 rate structure where the -- where the monthly basic
19 charge would be eliminated?

20 MR. ROBIN WIENS: You could design such a
21 rate structure.

22

23 (BRIEF PAUSE)

24

25 MR. BILL GANGE: On -- on page 52, sir,

1 at lines 10, 11 and 12, the -- the comment is made that -
2 - and -- and I'm wondering if there's a typo here, sir.

3 "It does provide any solution at all
4 for large volume customers currently
5 paying no basic monthly charge."

6 Should that have read, "It does not
7 provide"?

8 MR. ROBIN WIENS: You're quite correct.

9 MR. BILL GANGE: Okay. And -- and we're
10 just a little bit confused in terms of, who would it be
11 that does not pay a basic monthly charge?

12 MR. ROBIN WIENS: The customer classes
13 that currently pay a basic monthly charge are
14 residential, general service small and general service
15 medium.

16 The remaining customer classes do not pay
17 a basic monthly charge. The customer costs are
18 notionally in -- anyway rolled into the demand charge.

19

20 (BRIEF PAUSE)

21

22 MR. BILL GANGE: I think that you've
23 answered this. I'm just -- I just -- at -- at page 61 of
24 the rebuttal...

25

1 (BRIEF PAUSE)

2

3 MR. BILL GANGE: There was a criticism of
4 -- of Mr. Chernick's analysis because down at the bottom
5 lines 26 through 32, where Mr. Chernick had stated that
6 the baseline energy consumption level would increase to
7 cover large amounts of increased load.

8 And if the customer exceeded its baseline,
9 the baseline in the future years would be increased, so
10 marginal costs could apply in only the first year.

11 And -- and your testimony today is, No,
12 that that's -- that in fact the baseline energy is
13 established once, and -- and there's no rolling amount?

14 MR. ROBIN WIENS: It's not going to be
15 increased simply because the customer's load is
16 increasing, which is, as I understand, the way other
17 jurisdictions -- other jurisdictions have a dynamic
18 baseline.

19 This proposal is not a dynamic baseline.
20 There may be some circumstances under which it would
21 increase, as we discussed this morning -- earlier this
22 morning, but not simply because the load increases.

23

24 (BRIEF PAUSE)

25

1 MR. BILL GANGE: I take it, sir, that you
2 understand where the confusion arises is in the -- the
3 proposal that was put forward, which is in MIPUG 3, yes,
4 MIPUG 3 --

5 MR. ROBIN WIENS: Are you referring to
6 MIPUG's book of documents?

7 MR. BILL GANGE: Yes.

8 MR. ROBIN WIENS: Their Exhibit 10, I
9 believe, Tab 3?

10 MR. BILL GANGE: Pardon me, Tab -- or
11 Exhibit 10, Tab 3.

12 MR. ROBIN WIENS: Just a moment, I'll get
13 that.

14

15 (BRIEF PAUSE)

16

17 MR. ROBIN WIENS: Yes.

18 MR. BILL GANGE: Mr. Chernick interpreted
19 that to mean that -- didn't -- didn't read anything in
20 there that said that that baseline was established once
21 and for all.

22 But you've given -- you clarified that to
23 Mr. Chernick's satisfaction this morning, that -- that
24 your point is no, it's established once and -- and that's
25 -- that's it, unless there are other issues that arise

1 that you discussed at length this morning?

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

3 MR. BILL GANGE: Thank you.

4

5 (BRIEF PAUSE)

6

7 MR. BILL GANGE: Sir, at -- at -- I'm
8 going to turn to page 63...

9

10 (BRIEF PAUSE)

11

12 MR. ROBERT MAYER: Of the rebuttal
13 evidence?

14 MR. BILL GANGE: Of the rebuttal
15 evidence. Thank you, Mr. Mayer. Of the rebuttal
16 evidence.

17

18 (BRIEF PAUSE)

19

20 CONTINUED BY MR. BILL GANGE:

21 MR. BILL GANGE: There's a discussion,
22 pages 63 through 65, Mr. Wiens, and this is in response
23 to Mr. Weiss' testimony on bill assistance for low-income
24 customers.

25 At page 65, right at the top of page 65,

1 there's a reference to Order 99/'07, and you see there's
2 a quotation there:

3 "The rates now and to be charged to all
4 residential customers regardless of
5 income level are the same.
6 The Board considers the rates resulting
7 from this Order to be just and
8 reasonable in the public interest."

9 I -- I'm not sure if you have access to
10 Board Order 99/'07 in your material, because if you do,
11 we could just take a short break while you got that.

12

13 (BRIEF PAUSE)

14

15 MR. BILL GANGE: Yes, it had to do with
16 caps.

17 MR. ROBIN WIENS: Well, we may have to
18 download the relevant portions electronically. I'm not
19 sure that we would have that in a hard copy here.

20 MR. BILL GANGE: You -- you know, for the
21 purpose of these questions, Professor Miller has the
22 pages that I'm going to refer to, so why doesn't just put
23 those pages in front of you, Mr. Wiens, and if that's --

24 MR. ROBIN WIENS: We can try to work it
25 that way.

1 MR. BILL GANGE: Yeah. This isn't very
2 long.

3

4 (BRIEF PAUSE)

5

6 MR. BILL GANGE: At the -- probably the
7 backside of -- of those pages. Professor Miller does
8 have a habit of photocopying on recycled paper, so I
9 think you just need to look at the front page.

10 MR. ROBIN WIENS: That's all I'm going to
11 do.

12 MR. BILL GANGE: The -- the quotation I
13 read from the rebuttal evidence starts, "the rates now
14 and to be charged," and that's at the bottom of page 99.

15 But the sentence before that, that
16 quotation. Do you see that? It's right in the bottom
17 paragraph.

18 MR. ROBIN WIENS: Yes, I'm looking at the
19 bottom paragraph.

20 MR. BILL GANGE: Okay. The sentence
21 before that reads:

22 "While other jurisdictions have
23 wrestled with whether the regulator has
24 the jurisdiction to establish rates
25 based on rate afford ability for low-

1 income customers, that issue does not
2 arise in this Order."

3 So the -- the Board, in 99/'07, was
4 specifically saying, We're not dealing with this -- this
5 concept in -- in this hearing, in -- in the hearing that
6 they were dealing with.

7 Do you see that that -- that that was the
8 context in which the -- the quotation that is -- is used
9 was made?

10 MR. ROBIN WIENS: Well, they're not
11 dealing with -- they're not making any specific
12 determination of rates --

13 MR. BILL GANGE: Right.

14 MR. ROBIN WIENS: -- within that
15 framework, that's what they're saying, yes.

16 MR. BILL GANGE: Right. And then if you
17 turn -- turn the page, sir, to page 100, the Board in
18 99/'07 went on to say, and I'm going to quote this:

19 "The Board is aware that the utility
20 regulators for both Nova Scotia and
21 Ontario have issued recent discussions
22 on lifeline rates and the creation of a
23 new customer class based on income
24 level. While this issue does not arise
25 in this Order, 99/'07, it may in the

1 future."

2 Again, the quotation that is used in your
3 rebuttal evidence was framed on -- on both sides of that
4 quotation with commentary from the Board that it might be
5 something that they would be looking at in the -- in the
6 future.

7 MR. ROBIN WIENS: Well, I -- I think if
8 you -- if you go beyond that, I think the Board made some
9 other comments about -- about whether or not it had the
10 jurisdiction to do that.

11 MR. BILL GANGE: Yes, and I'm happy that
12 you referred to that. Do you have page 100 there as
13 well, sir?

14 MR. ROBIN WIENS: Yes, I do.

15 MR. BILL GANGE: And -- and at the bottom
16 of page 100, the Board was referring to the Ontario case
17 that -- and also contrasting it with the Nova Scotia
18 case.

19 And -- and in reference to the Ontario
20 case this Board said:

21 "In that case the majority of the
22 Ontario Energy Board concluded that
23 Ontario provincial legislation does not
24 provide the Ontario Energy Board with
25 the authority, either expres --

1 expressly or implicitly, to impr --
2 approve rates using income level as a
3 criterion.

4 The decision of the OEB is of interest
5 to Manitobans and this Board as there
6 are similarities in the legislation
7 that provides jurisdiction to the
8 respective provincial regulators,
9 because both jurisdictions have a
10 mandate to approve [quote] 'just and
11 reasonable rates that are in the
12 public's interest.'

13 This Board is drawn to this -- to the
14 decision and reasoning in the
15 dissenting decision by the OEB Vice-
16 Chair in the previously referenced OEB
17 decision."

18 That's the quotation, sir.

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

20 MR. BILL GANGE: And what RCM/TREE takes
21 from that is that this -- this Board was saying that the
22 dissenting opinion, which said that -- that the
23 dissenting panellists felt that OEB did have the
24 jurisdiction to venture into that kind of an analysis.

25 And this Board, in -- in that decision,

1 was saying this Board, the -- the Manitoba Public
2 Utilities Board, felt more inclined to that.

3 MS. PATTI RAMAGE: Mr. Gange, I'm not
4 sure where we're going with this, but I have two
5 (2) concerns.

6 One (1) is having the witness comment on
7 the Board's jurisdiction, and secondly that this is a gas
8 order based on gas jurisdiction, and Manitoba Hydro's
9 jurisdiction is derived from legislation.

10 So I -- I don't know how far one could go
11 with -- could take those comments without this Board's
12 own consideration of the legislation under --

13 MR. BILL GANGE: Thank you, Ms. Ramage.
14 We'll -- we'll deal with that in argument. That --
15 that's --

16 MS. PATTI RAMAGE: I -- I'm just noting
17 the concern, how far we're taking this with the witness.

18 MR. BILL GANGE: Sure. And -- and, Mr.
19 Chair, the -- the point of it was it is in Hydro's
20 rebuttal.

21 The quotation at page 65 is -- is placed
22 in there to be suggesting that in fact that -- that the
23 PUB has previously declined to approve pro -- proposals
24 such as that of Mr. Weiss.

25 And -- and I'm putting before you that

1 that's not quite the context in which the two (2)
2 sentences that are the top of page 65 -- of 65 were made
3 by this Board.

4 THE CHAIRPERSON: We have your point.

5 MR. BILL GANGE: Thank you.

6

7 (BRIEF PAUSE)

8

9 THE CHAIRPERSON: In this pause, Ms.
10 Ramage, why don't we give an Exhibit number to this
11 information, reference RCM/TREE/MH-1-8F.

12 MS. PATTI RAMAGE: I have seventy-one (71)
13 as the next number.

14 THE CHAIRPERSON: Subject to check, that
15 is fine.

16

17 (BRIEF PAUSE)

18

19 THE CHAIRPERSON: So, Mr. Gange, that
20 chart providing comparative bill information is MH-71.

21

22 --- EXHIBIT NO. MH-71: Chart providing comparative
23 bill information

24

25 CONTINUED BY MR. BILL GANGE:

1 MR. BILL GANGE: If I can just have a
2 minute, Mr. Chair, I just need to talk to -- to Professor
3 Miller on a couple of points.

4 THE CHAIRPERSON: That is fine.

5

6 (BRIEF PAUSE)

7

8 MR. BILL GANGE: Mr. Wiens, if you can go
9 to -- just back a page, page 64 of the rebuttal evidence.

10 And lines 24 to 26 the comment is made
11 that Manitoba Hydro's understanding is that US utilities
12 undertake such rate design or other programs pursuant to
13 legislation in the relevant jurisdiction. In Canada such
14 legislation has not been enacted in any province of which
15 Manitoba Hydro is aware.

16 That's -- that's Hydro's understanding of
17 how these things came about?

18 MR. ROBIN WIENS: That's correct,
19 certainly, at the time that we prepared the rebuttal
20 evidence.

21 MR. BILL GANGE: At the time that -- that
22 you'd prepared the rebuttal evidence, I wonder if -- do
23 you know if Mr. Weiss' evidence had -- well, this is in
24 reference to Mr. Weiss, so clearly Mr. Weiss' evidence
25 had been reviewed.

1 Mr. Weiss included an attachment to his
2 evidence that dealt with legislative authorizations. Do
3 you know if that had been reviewed?

4 It's -- it's in the Apprise Inc., report.
5 And it's at page Roman Numeral V of the executive summary
6 of that -- of mis -- of -- of that report.

7 Do you know if that had been reviewed in
8 depth?

9 MR. ROBIN WIENS: It's not been reviewed
10 in depth. I believe subsequent to this, some of us made
11 an effort to get through part of it, and we did that.
12 But I can't say, again, that that was in depth.

13 MR. BILL GANGE: The Apprise report
14 states that affordability programs have been put into
15 place in, admittedly, American jurisdictions, but
16 Pennsylvania, Ohio, and Indiana without specific
17 legislative authorization.

18 MR. ROBIN WIENS: I do recall reading
19 that in some cases there was, at least according to this
20 document, there was no specific legislated authorization.
21 But my --again, this is my recollection, that in most
22 cases it was -- there was legislation passed by the -- by
23 the state body.

24

25 (BRIEF PAUSE)

1 MR. BILL GANGE: Thank you, Mr. Wiens.
2 Those are my questions. Thank you very much for your
3 patience.

4 THE CHAIRPERSON: Thank you, Mr. Gange.
5 Ms. McCaffrey, do you want to use up the rest of the
6 available morning or...?

7 MS. TAMARA MCCAFFREY: Mr. Gange -- what
8 I'd like to do at this juncture, Mr. Chairman, is first
9 of all clarify some comments made with respect to those
10 letters that we put on the record earlier.

11 THE CHAIRPERSON: Of course.

12 MS. TAMARA MCCAFFREY: If I could start
13 with that, I note we have fifteen (15) minutes left
14 before the lunch break.

15 My colleague, Mr. McLaren, who assisted me
16 in developing a portion of the cross isn't here. He's
17 going to be coming back this afternoon. I'm -- I'm happy
18 to do a portion if I can fit it in the time.

19 But I do want to clarify, because I don't
20 like -- I'm uncomfortable -- if there's any confusion on
21 the record about this, and I -- I don't want to make much
22 ado about nothing, but I do want to clarify:

23 Ms. Ramage and I had a conversation and --
24 in reference to my objection which I have already
25 referred to earlier this morning to Ms. (sic) Warden

1 giving evidence on behalf of the government of Manitoba.
2 I asked her which letter would he have been referring to;
3 she showed me a November letter.

4 I thought that the November letter she
5 showed me was a response to Mr. Turner's November 14th
6 letter. I realized only this morning, as Mr. Mayer
7 points out the date to me, that in fact one (1) preceded
8 the other. Keeping in mind this is -- these aren't
9 letters drafted by counsel. These are letters from Mr.
10 Turner who's coming here today prepared to address these
11 issues in any event.

12 But in any event, when I said to Ms.
13 Ramage when she said no, I believe there's a second
14 letter from the government, and I said yes, you're right,
15 Ms. Ramage, you know I was actually wrong because I can
16 tell you that the letter that I was thinking of was that
17 November 1st, 2006 letter; that was the letter I was
18 thinking of. I thought it pre-dated or I thought it
19 post-dated the November 14th MIPUG letter, and I'm sorry
20 if I'm creating more confusion. I'm trying to clarify
21 exactly what my intention was.

22 With respect to the letters that were
23 referenced by Mr. Peters, those were the 2006
24 correspondence from MIPUG, the September and the November
25 2006 letters. We provided them.

1 I went -- after Ms. Ramage's comments,
2 though because I thought well, maybe there's another
3 November letter, maybe I was confused but I think it's
4 she and I that were confused -- I went and spoke to Ms.
5 Fernandes during the cross-examination just for a moment
6 to see if there was another letter.

7 Ms. Fernandes provided me with -- with a
8 final letter in -- in February -- February 8, 2008
9 addressed from the minister responsible for Manitoba
10 Hydro to Mr. Turner, again MIPUG, and I've indicated
11 already Mr. Turner is coming here this afternoon and --
12 fully prepared to deal with any questions the Board may
13 have regarding government or otherwise.

14 But having said that, this letter we
15 didn't file, but I have to tell you it's in response to a
16 letter December 18th, 2007. It's -- it's not part of
17 that -- what was referenced to -- by Mr. Peters.

18 Now, Ms. Ramage may have some submissions
19 to make in this regard. I think she's -- she's -- I'm
20 assuming from my conversations with Ms. Fernandes that
21 this is a letter she would also like on the record, and I
22 know, Mr. Mayer, you've indicated, Well, let's put the
23 letters on the record.

24 I appreciate the Board can assess the
25 appropriate evidentiary weight with respect to any such

1 letters from government who's not here and again can't be
2 cross-examined on -- on any of these issues, but we are -
3 - I -- this is not an adversarial proceeding; we're
4 wanting to be of assistance to the Board.

5 Ms. Ramage, I think you -- when you talked
6 about another letter, was it this February letter that
7 Ms. Fernandes has provided to me, because that is not a
8 response to the November 14th letter? And in fact, I am
9 -- even in checking with my colleagues from InterGroup,
10 if there is a response in the November 14th, 2006 letter,
11 we're not aware of it.

12 But you can ask Mr. Turner if there is
13 one. We're not aware of a response.

14 The letter that Ms. Fernandes has shown me
15 from February of this year is in response and references
16 quite clearly a December 18th, 2007 letter from MIPUG.

17 As I've indicated before, MIPUG's had a
18 number of consultations back and forth trying to get the
19 government to the table here. So I'd -- unfortunately
20 we've gone down this road. I -- I don't want to make a
21 big ado but this simple point, but perhaps you can
22 clarify what you were referring to for -- for the Board.

23 THE CHAIRPERSON: Ms. Ramage...?

24 MS. PATTI RAMAGE: Yes. Manitoba Hydro
25 was referring to, and I believe Mr. Warden in his

1 evidence, two (2) letters from the Government that we
2 were aware of. Those letter -- the two (2) letters we
3 were referring to were the November 7th, 2006 letter and
4 what -- now that I have a hard copy in my hand --

5 THE CHAIRPERSON: The one that we
6 referred to is the November 1st letter with the stamp at
7 the top --

8 MS. PATTI RAMAGE: Yes, I see it's --

9 THE CHAIRPERSON: -- saying November 7.

10 MS. PATTI RAMAGE: I see -- okay, mine is
11 stamped November 1st, 2006 and November 7th, 2006, so
12 that's just to make it more --

13 THE CHAIRPERSON: As is our copies.

14 MS. PATTI RAMAGE: The second letter that
15 Mr. Warden was referring to is this letter that now that
16 we have a hard copy in front, does not have a date on it.

17 It has a fax notation on it of February 8,
18 2008. You -- you don't have a copy of that, but that's
19 the letter Ms. McCaffrey is referring to. I can't
20 confirm the date of it.

21 But it refers to a letter of December 18th
22 as Ms. McCaffrey says. That is not a letter I have a
23 copy of. So it appears -- if I can -- I'm going to try
24 to set this straight.

25 We have a letter from MIPUG dated

1 September 26, 2006 to Mr. Rondeau. That would be letter
2 one (1).

3 THE CHAIRPERSON: And we have that. It's
4 marked as MIPUG-11.

5 MS. PATTI RAMAGE: We have that. We have
6 a letter from the Minister of Energy, Science and
7 Technologies office dated September 28th --

8 THE CHAIRPERSON: Also in that package.

9 MS. PATTI RAMAGE: Also in the package.
10 That is not a letter from the government Manitoba Hydro
11 was referring to.

12 Then we have a letter from Mr. Selinger's
13 office. That's the November 2006 which is in the package
14 and --

15 THE CHAIRPERSON: Yes, we do.

16 MS. PATTI RAMAGE: -- and that is on the
17 record.

18 THE CHAIRPERSON: Yes.

19 MS. PATTI RAMAGE: That's letter number
20 one (1) Manitoba Hydro referred to as a government
21 letter.

22 We then have a letter from -- from MIPUG
23 dated November 14th, 2006 that was in the package.

24 THE CHAIRPERSON: From Mr. Turner.

25 That's the last letter we have in this package so far.

1 MS. PATTI RAMAGE: That's the last letter
2 you have in this package. That letter, I believe, was
3 the first time I've seen that one this morning.

4 But we knew there was a second government
5 letter so I had assumed that letter -- the second
6 government letter was in response to this letter.

7 I'm hearing from Ms. McCaffrey, and when
8 we actually see this letter, apparently there's a second
9 MIPUG letter dated December 18th. I have the letter
10 undated, but it has the -- a February fax notation on it
11 thanking Mr. Turner for his letter of December 18th.

12 Now just to add to the puzzle --

13 MS. TAMARA MCCAFFREY: 2007 though.
14 We're talking about a different year now just for the
15 sake of clarity because the November letters --

16 MS. PATTI RAMAGE: Oh.

17 MS. TAMARA MCCAFFREY: -- remember were
18 2006.

19 MS. PATTI RAMAGE: Right. Two (2). One
20 is December 18th, 2007. So that is a month and a half
21 earlier.

22 Manitoba Hydro has gone back to our office
23 so you have the full package because it references a
24 letter to Mr. Turner from Mr. Brennan too. So we'll get
25 that to you also. This is the plan so that you have the

1 full package of everything that's here.

2 THE CHAIRPERSON: Yeah, we'll --

3 MR. ROBERT MAYER: Will we have that
4 before Mr. Turner arrives?

5 MS. PATTI RAMAGE: We should be able to
6 have it. We've already requested it from the office
7 so...

8 THE CHAIRPERSON: Very good. I would
9 imagine, at this stage, we'll probably call these new
10 letters -- give it a Manitoba Hydro exhibit number
11 separate from this other package.

12 MS. TAMARA MCCAFFREY: Mr. Chairman, I'm
13 -- I'm not doing my job if I don't say just -- just a
14 moment, please.

15 I -- I put this on the record, and I
16 invited Ms. Ramage's comments because I didn't want any
17 confusion on the record as to what we were talking about
18 and what I filed.

19 With respect to this -- this letter, Mr.
20 Turner's coming today. I know that Hydro had a copy, and
21 they -- they provided one to me. I don't have the
22 December 18, 2000 letter from Mr. Turner. That is the
23 Chairman of MIPUG -- from MIPUG to Hydro though I've
24 asked -- when I saw this letter I've asked my colleagues
25 to go and see would they have their meeting.

1 Mr. Turner's in town now so he'll have,
2 I'm sure, everything and so they'll be able to -- to get
3 a copy of Mr. Turner's letter of December 18th too -- if
4 the Board wants this also, this is not what was
5 referenced by Mr. Peters.

6 If the Board wants it, so be it. That I -
7 - I and with no disrespect for the sake of the record
8 with the caveat that I indicated earlier with respect to
9 evidentiary weight which I will address in argument.

10 THE CHAIRPERSON: We --

11 MS. TAMARA MCCAFFREY: And I say that
12 with the greatest of respect trying to be of assistance
13 to the Board.

14 THE CHAIRPERSON: Well we -- we
15 appreciate it. Given all this about the letters, I think
16 it's probably best that we -- we have them all. So it --

17 MS. PATTI RAMAGE: Good news, we appear
18 to have them all now.

19 THE CHAIRPERSON: Very good. So we'll
20 look forward to their receipt, and I imagine we'll
21 receive them before we receive Mr. Turner's presentation
22 at 1:15 then.

23 MR. ROBERT MAYER: I would appreciate the
24 opportunity of being able to read this stuff over lunch
25 hour if that's even reasonably possible.

1 MS. TAMARA MCCAFFREY: I can indicate I
2 don't have the December 18th letter. I don't if My
3 Friend has a copy. I can -- I -- my plan was that
4 they'll be bringing it. I've asked that they -- well Mr.
5 -- I think Mr. Turner was going to deal with it anyway
6 frankly in his presentation.

7 THE CHAIRPERSON: We'll see if Ms. Ramage
8 has it.

9 MS. PATTI RAMAGE: I'm going to just
10 confuse things a little more. I have a copy of a letter
11 from MIPUG to Mr. Brennan dated December 18th, cc'd to
12 Mr. Selinger, and I --

13 THE CHAIRPERSON: Well, that sounds like
14 the letter --

15 MS. PATTI RAMAGE: We can have that
16 confirmed by --

17 THE CHAIRPERSON: -- that Ms. McCaffrey
18 was talking about.

19 MS. PATTI RAMAGE: -- Mr. Turner that
20 that is the one, but I think we'll get you copies of
21 that.

22 THE CHAIRPERSON: Sure. Well, Mr. Turner
23 is a presenter.

24 MS. TAMARA MCCAFFREY: Yes, Mr. Turner
25 will be -- oh, absolutely, Mr. Turner will be here. He's

1 Chairman of MIPUG and he will be one of the -- one of the
2 presenters that's coming today, and he can -- he can
3 confirm that on the record.

4 I haven't seen that letter but I --
5 certainly it's referenced here in the -- in this letter
6 from Mr. Selinger. I don't know if my friend has Mr.
7 Brennan's response to Mr. Selinger or not.

8 MS. PATTI RAMAGE: Yes, we do.

9 MS. TAMARA MCCAFFREY: Another thing that
10 I think we're going --

11 THE CHAIRPERSON: I think it is headed
12 your way. We --

13 MS. TAMARA MCCAFFREY: -- we're going
14 down this -- this road here. But again, for the sake for
15 the record and -- and assistance to the Board, my
16 comments with regard to evidentiary value remain.

17 THE CHAIRPERSON: Okay, thanks Tamara. I
18 think what we will do then if you wouldn't mind, Ms.
19 Ramage, if we could have them over lunch and we'll take
20 them as an exhibit before we go to the presentation,
21 okay? And then --

22 MS. PATTI RAMAGE: Certainly.

23 THE CHAIRPERSON: -- we'll all have a
24 chance and Ms. McCaffrey can have their copy too as well.

25 MS. PATTI RAMAGE: We'll make sure the

1 Board gets and we'll leave one on everyone's table so
2 that they have a chance to look at them.

3 THE CHAIRPERSON: Yes. Ms. McCaffrey, do
4 you have anything else you want to deal with now or
5 should we just wait until after the presentation, after
6 this letter business?

7 MS. TAMARA MCCAFFREY: Yeah, by my clock
8 I have about five (5) -- five (5) minutes. Probably I --
9 I can finish this afternoon, my cross-examination.

10 THE CHAIRPERSON: Yes.

11 MS. TAMARA MCCAFFREY: I'm not worried
12 about the time. I think we'll have enough time --

13 THE CHAIRPERSON: I think we'll --

14 MS. TAMARA MCCAFFREY: -- to do
15 everything.

16 THE CHAIRPERSON: I think we'll do that
17 then. I think we could probably all have a break at this
18 point. Thank you.

19

20 (MANITOBA HYDRO COST OF SERVICE AND RATE DESIGN PANEL

21 WITNESSES RETIRE)

22

23 --- Upon recessing at 11:52 a.m.

24 --- Upon resuming at 1:22 p.m.

25

1 THE CHAIRPERSON: Okay. Welcome back.
2 This afternoon we're starting with the presentations.
3 And I understand that one (1) of the counsels for MIPUG
4 has done some homework over the lunch break which is very
5 nice and have put all of the various letters into one (1)
6 collector's edition.

7 Mr. Landry, do you want to introduce it?

8 MR. JOHN LANDRY: Mr. Chairman, I go here
9 with great trepidation, but I will attempt to see if -- I
10 -- I left a little earlier today because there was
11 obviously some confusion on the correspondence, and --
12 and so I went back and allowed Ms. McCaffrey to stay and
13 listen to the cross-examination. And what we attempted
14 to do was try to get a full record of the correspondence
15 that is being discussed.

16 So just to make sure the record is clear,
17 because as I along with this you'll understand why I'm
18 making sure that the record is clear, but let me go
19 through it and see if -- if you understand where we're
20 going.

21 The three (3) letters that were given to
22 you prior to the lunch break -- and if I can -- if you
23 have them there with you because I know they weren't
24 marked -- there was a -- a letter to Mr. Brennan, the
25 president of Manitoba Hydro, dated December 18th, 2007;

1 that was one (1).

2 The second one was a letter back to Mr.
3 Turner from Mr. Brennan dated January the 4th, 2008.

4 And the third one was a document which was
5 a letter, and the only date reference that I could find
6 on -- was at the top and it was a fax date, a faxed
7 reference date, which was February 8th, 2008.

8 So those were the three (3) letters that
9 were -- that were put before you. And as I understand
10 from Mr. Peters -- and I apologize, I wasn't here -- but
11 as I understand from Mr. Peters those three (3) letters
12 were not marked as exhibits.

13 So what -- and there were some letters
14 that were marked as exhibits as MIPUG Exhibit Number 11,
15 so what I am trying to do is realizing it's not a good
16 idea in any proceeding to take anything off the record,
17 okay, because there's -- somebody's got to read this
18 transcript someday and be able to reference them.

19 So what I've attempted to do is put a
20 compilation of all correspondence between -- which --
21 from MIPUG to -- and it's members -- to the Minister and
22 any related correspondence that is referred to in the
23 documents, which was a bit of the confusion I think that
24 -- at least as I heard over the last couple of days -- we
25 had.

1 So this document that I -- that has now
2 been circulated which is entitled, "Correspondence
3 Undertaking," is a comprehensive compilation of all of
4 the -- of all of the letters.

5 Now just so everybody understands, this
6 will obviously include some of the letters that are in
7 Exhibit 11, but I don't think it's a good idea to take
8 off the record, okay? But, for example -- and just so
9 you understand why this is a bit of an issue -- if you
10 take -- use the -- the letter from -- or to Mr. Turner
11 from Mr. Selinger, the one that's not marked from this
12 morning, that has that fax number at that top, okay,
13 using that as an example, what -- when we looked at this,
14 this is not the letter that was sent to MIPUG.

15 Now, is there any material difference
16 between the letter? No. There is, for example, if you
17 look at the letter you will see at the bottom of the one
18 that was given to you this morning that has the fax
19 number at the top -- has a fax, I forget what they call
20 that, but the fax referenced at the very top. And the
21 fax reference at the top is zero two zero eight (0208)
22 2008.

23 Okay. If you look at the last letter in
24 the package that I have handed up, you will see that it
25 has -- does not obviously have that fax number on -- on

1 it, but it also does not have the, for example, the cc's
2 at the bottom that are on the one that you had this
3 morning.

4 So presumably, and I'm -- there's no
5 suggestion that ill motive or otherwise -- this is a -- a
6 copy of a document presumably Manitoba Hydro had, but
7 it's not the actual document that was sent to Mr. Turner.
8 The actual document is now in this correspond --
9 correspondence undertaking as a last item, Number 9.

10 Now, just so everybody's clear, there's no
11 difference in the wording in the document, but it's not
12 the exact letter, to be exact, to -- to be -- to make
13 sure the record is clear.

14 So, what I'd like to do just very, very
15 quickly is take you through what is here in my -- in the
16 correspondence undertaking, and then at the end of that
17 it can be marked an exhibit. That would be my
18 preference, Mr. Chair, if that -- if that's okay with
19 you.

20 THE CHAIRPERSON: That's fine.

21 MR. JOHN LANDRY: Okay, so the first
22 letter is a letter to the Honourable Jim Rondeau,
23 September 26, 2006, which you have seen before. You'll
24 see it's signed.

25 The second letter is the response from Mr.

1 -- from the Honourable -- or sorry it's from the
2 Correspondence Secretary to the Minister, which you did
3 see again this morning.

4 The third letter is the letter back from
5 the Honourable Mr. Selinger to Mr. Turner.

6 MR. ROBERT MAYER: This is the letter
7 that is either the first or the seventh of November?

8 MR. JOHN LANDRY: Yes. I -- I concluded
9 whether maybe we could have a bit of poll on this, but I
10 conclude it's the first, but...

11 THE CHAIRPERSON: I think we won't return
12 to that.

13 MR. JOHN LANDRY: Yeah. It's -- it's the
14 best we could find, so it's either the first or the
15 seventh. I don't think anything materially falls on
16 that.

17 So, that's the letter back to Mr. Turner
18 from Selinger -- or Selinger -- or the Honourable Mr.
19 Selinger.

20 Then the next letter is a letter dated
21 November 14, 2006, to the Honourable Mr. Selinger from
22 Mr. Turner, that you can see it's signed. And that is a
23 letter that was not responded to.

24 Now we'll keep on going cause one (1) was,
25 but that one's not the one.

1 THE CHAIRPERSON: And that grouping is
2 being entered into as MIPUG-11.

3 MR. JOHN LANDRY: Yeah, I believe -- I
4 believe that's right. I believe that's right, Mr. Chair.

5 Then you go to the next letter, okay. And
6 the next letter in the sequence, okay, is the letter --
7 it's actually a fax cover sheet from Mr. Turner to Mr.
8 Brennan, the President, enclosing the December 18th,
9 2007, letter to Mr. Brennan from Mr. Turner. So in other
10 words it was -- it was faxed to Mr. Brennan.

11 And it -- and it has the attachments that
12 are referred to in the letter. In other words it's the
13 complete package as opposed to just the -- the letter, to
14 try to -- to make sure the record is complete.

15 Do you have that Mr. Mayer?

16 MR. ROBERT MAYER: I seem to be miss --
17 where are you at now?

18 MR. JOHN LANDRY: Okay, if you go -- if
19 there's a --

20 MR. ROBERT MAYER: On the one that says
21 Canexus?

22 MR. JOHN LANDRY: At the very top.

23 MR. ROBERT MAYER: Okay.

24 MR. JOHN LANDRY: You'll see -- you'll
25 see the fax cover sheet, sir?

1 MR. ROBERT MAYER: Yeah, I --

2 MR. JOHN LANDRY: And then all it is, is
3 effectively Mr. Turner was presumably faxing the letter
4 to Mr. Brennan, and the letter that he faxed to Mr.
5 Brennan is attached to the fax sheet.

6 MR. ROBERT MAYER: Okay, the fax sheet
7 has -- again, has April 15th X'd out; that would of been
8 -- that would of --

9 MR. JOHN LANDRY: Yeah. For any --

10 MR. ROBERT MAYER: -- been today. And --

11 MR. JOHN LANDRY: For any of us that deal
12 with Word, Microsoft Word, when you print out a document
13 that you have in -- it always punches out the last date.
14 And so its reference -- you can ask Mr. Turner if you're
15 concerned about that at all.

16 MR. ROBERT MAYER: No, no I'm not. I'm
17 just -- I'm computer illiterate, sir.

18 MR. JOHN LANDRY: Well, you and me both.
19 The one thing I do know is I can't print out a document
20 that I actually sent months ago without have a new date
21 on it. So -- and I'm sure that somebody's going to tell
22 me in this room you can do that. I just don't know how
23 to do that.

24 So that is -- that is the -- the fax cover
25 sheet and the MIPUG letter to Mr. Brennan with the

1 appropriate attachment that is referenced in the letter.

2 The next letter is a December 18th letter
3 to the Honourable Mr. Selinger again, which you -- you
4 saw this morning but what is attached to it is obviously
5 Mr. Brennan's letter because that's what's referenced in
6 that correspondence. So it's the actual correspondence
7 that was sent to the Honourable Mr. Selinger.

8 The next letter is the infamous -- not the
9 infamous, but the next letter is from Mr. -- from Mr.
10 Brennan back to Mr. Turner and that's the one that -- a
11 copy of which was given to you this morning.

12 The next letter is a January 9th letter
13 from Canexus, a MIPUG member, to the Minister.

14

15 (BRIEF PAUSE)

16

17 MR. JOHN LANDRY: This is probably my
18 least favourite thing to do on the record, but I'll do it
19 in any event.

20 This is -- this is a letter to the
21 Honourable Mr. Selinger from Canexus that Mr. Turner can
22 speak to, and it attaches to it a correspondence that's
23 referenced in that -- in that correspondence. So this is
24 to Mr. Selinger.

25 And -- and what is indicated on the

1 undertaking and people can question Mr. Turner, is that
2 Mr. Turner's not aware of a response on -- to that letter
3 to make the record complete.

4 And then the final document...

5 MR. ROBERT MAYER: I have an extra page.

6 MR. JOHN LANDRY: Okay. Could you tell
7 me where you are, sir?

8 MR. ROBERT MAYER: Yeah, I can. And this
9 is obviously -- somebody collated it wrong because we
10 have -- following the letter from Canexus, we have page 2
11 of a document signed by Greg Selinger copy to Kostyra,
12 Sprange and Brennan.

13 MR. JOHN LANDRY: And dated October 26,
14 2000.

15 MR. ROBERT MAYER: It's not dated. We
16 only got page 2 there.

17

18 (BRIEF PAUSE)

19

20 MR. ROBERT MAYER: It's all right. It's
21 all right, it's just that we have -- I have an extra page
22 2.

23 MR. JOHN LANDRY: Okay. I apologize for
24 that. But -- but you see that it is -- with what you
25 have there you see that the attachment to the Canexus

1 letter is an October 26, 2000 letter to Mr. Sugalski from
2 the Honourable Mr. -- the Honourable Mr. Selinger, okay?
3 So that's what -- that's what's in that.

4 And then the last piece of correspondence
5 is a letter to Mr. Turner from the Honourable Mr.
6 Selinger, that you're aware of. But this is the actual
7 letter that was received.

8 THE CHAIRPERSON: Okay, Mr. Landry, I
9 think we have it all now. So we're going to give that,
10 the whole package then, MIPUG-12. How's that?

11 MR. JOHN LANDRY: MIPUG Exhibit 12,
12 that's what I suggested to Mr. Peters.

13

14 --- EXHIBIT NO. MIPUG-12: Correspondences: MIPUG to
15 Rondeau, Sept. 26/'06;
16 Rondeau to MIPUG, Sept
17 28/'06; Selinger to MIPUG,
18 Nov 1/'06; MIPUG to Selinger
19 Nov 14/'06; MIPUG to Brennan,
20 Dec 18/'07; MIPUG to
21 Selinger, Dec 18/'07; Brennan
22 to MIPUG, Jan 4/'08; Canexus
23 to Selinger, Jan 9/'08;
24 Selinger to MIPUG, Feb 19/'08

25

1 THE CHAIRPERSON: Ms. Ramage, did you
2 follow all of this?

3 MS. PATTI RAMAGE: Yes, I did.

4 THE CHAIRPERSON: You're fine with it?

5 MS. PATTI RAMAGE: It almost made perfect
6 sense.

7 MR. JOHN LANDRY: It's the "almost"
8 qualification, but I won't go there.

9 That's -- Mr. Chair, I hope that's helpful
10 for the Board and I do apologize for the length of time
11 it took to go through it, but sometimes to clear -- clear
12 the record it does take a bit of time.

13 THE CHAIRPERSON: It's helpful and we've
14 got bookends around it now so we're fine.

15 So now, Mr. Peters, if I'm not mistaken,
16 we're on to presentations, correct?

17 MR. BOB PETERS: Yes, Mr. Chairman. I
18 believe Ms. McCaffrey will introduce the presenters.

19 THE CHAIRPERSON: Ms. McCaffrey...?

20 MS. TAMARA MCCAFFREY: Thank you, good
21 afternoon. It's my pleasure to introduce with me two (2)
22 MIPUG members who will be presenting today:

23 Bill Turner of course this Board's
24 familiar with. He's the Chairman of MIUPG and he is from
25 Canexus. And at his side is Mr. Kaare Svidal from

1 Enbridge Pipelines, also representing one (1) of the
2 MIPUG members.

3 And just for the Board's information we're
4 also happy to have Mr. Robert Allaby with us from Koch
5 Industries. He's sitting at the back. He's -- he's here
6 in support and observation but not making a presentation
7 today and I -- it's now my pleasure to turn the mic over
8 to Mr. Turner.

9

10 PRESENTATION BY MIPUG:

11 MR. BILL TURNER: Thanks, Tamara. Mr.
12 Chairman and Members of the Board, once again I return to
13 -- to talk about MIPUG and -- and Canexus in general, a
14 little bit for the -- for the new Board members and the
15 people in the room.

16 My name is Bill Turner. I am the plant
17 manager of Canexus Chemicals at Brandon. Since November
18 of 2000 I have been the Chairman of Manitoba Industrial
19 Power Users Group, commonly referred to as "MIPUG."

20 Our current members are basically the same
21 as they have been in previous years, but I'll just read
22 out who they are: Ourselves, Canexus Chemicals; Vale
23 Inco, out of Thompson; Hudson Bay Mining and Smelting,
24 out of Flin Flon; Erco Worldwide, out of Hargrave;
25 Enbridge out of southern Manitoba; Tolko Manitoba Kraft

1 Papers, The Pas; Koch Fertilizers Canada Limited, out of
2 Brandon; Griffin Canada Limited, Winnipeg; Tembec, out of
3 Pine Falls; Gerdau Ameristeel Manitoba out of Selkirk;
4 and TCPL Keystone Pipeline GP Limited.

5 We'd like to thank you for the opportunity
6 to make this presentation today and with me today I've
7 brought Kaare Svidal from Enbridge Pipelines.

8 We would be happy to answer questions from
9 the Board after the presentation. I will give some
10 general comments on MIPUG, then Kaare Svidal will address
11 specific issues regarding Enbridge, and then I will
12 finish with specific issues on behalf of Canexus.

13 It is my understanding that the Board and
14 other parties have been provided with an economic impact
15 study that presents information on MIPUG and the economic
16 impact that MIPUG member companies have in the
17 communities and within the province.

18 MIPUG is an association of major
19 industrial companies operating in Manitoba. The purpose
20 of the association is to work together on issues of
21 common concern related to electricity supply and rates.
22 MIPUG has participated as an Intervenor in each of the
23 Board's reviews of hydro rates since 1988, as well as the
24 Board's review of the Centra Gas acquisition in 1999 and
25 Hydro's major capital projects in 1990.

1 In past presentations before the PUB we
2 have explained that the cost of power is very important
3 to the operations and growth of our member companies.
4 MIPUG members compete in a global marketplace. Low-cost
5 based electricity rates allow industry to remain
6 competitive in this province by offsetting some of the
7 geographic, climatic, and other disadvantages faced by
8 industry in this province, including higher taxes and the
9 US exchange rate.

10 Our members currently pay rates that are
11 about 8 percent more than it costs to provide them with
12 service, or about 15 million a year in extra operating
13 costs. Fair rates that reflect Hydro's costs and
14 diligent attention to insuring these costs, or those
15 costs, are as low as possible while maintaining a
16 financially healthy utility are an essential part of
17 ensuring that Manitoba companies continue to survive and
18 grow. This is critical in sustaining and enhancing the
19 long-term investments, jobs, and other benefits that come
20 from having these operations in Manitoba.

21 MIPUG companies annually purchase about
22 5,000 gigawatt hours of electricity at a cost of well
23 over 150 million from Hydro.

24 In total, MIPUG members employ over forty-
25 five hundred (4,500) people, have a replacement of their

1 assets in Manitoba of over \$2 billion, and sell over 90
2 percent of the products that we produce outside of
3 Manitoba.

4 The new industrial rate: At the 2006 Cost
5 of Service Hearing Manitoba Hydro expressed concerns
6 about the growth of energy-intensive industry in the
7 province. After that hearing, the Public Utilities Board
8 directed Manitoba Hydro to consult broadly with both
9 industry and the Government of Manitoba before filing a
10 report and recommendations for establishing a new energy-
11 intensive industry rate.

12 Many of the concerns raised by Hydro and
13 the PUB in Board Order 117/'06 reflect important public
14 policy issues that go well beyond rate setting. These
15 include the policy framework under which Manitoba Hydro
16 develops electricity resources for the benefit of
17 Manitoba rather the net for export; the extent to which
18 Manitoba industry will continue to have access to the
19 province's electricity system on the same basis as all
20 other electricity customers; determinations about the
21 value of industry in the province and the province's
22 commitment to supporting existing industry and attracting
23 new industry.

24 The new industrial rate suggests a new
25 policy direction from Manitoba Hydro with major

1 implications for the use of energy and the development of
2 industry within the province.

3 MIPUG welcomed the opportunity to
4 participate in an open consultation process with Manitoba
5 Hydro, provincial and municipal governments and other
6 interested parties in order to explore the issues raised
7 in the Board's Order and come to a solution that works
8 for all parties.

9 Unfortunately, this did not happen.
10 Although we did meet with Manitoba Hydro on several
11 occasions, it was not a meaningful process. For example,
12 we had a first meeting in August 2006 to discuss general
13 issues; then had a second meeting eight (8) months later
14 to discuss what was presented as Hydro's final proposal
15 that was being taken to the Hydro Board for approval.

16 Throughout this process, MIPUG members
17 expressed their frustration to Manitoba Hydro regarding
18 the lack of open and transparent discussion. Now after
19 each meeting, provided Manitoba Hydro with detailed
20 written comments regarding Hydro's approach.

21 At the meeting on August 28, 2006 with
22 Manitoba Hydro, Manitoba members expressed concern that
23 the provincial government was not actively taking part in
24 any of the discussions. Manitoba Hydro indicated that
25 they could not make the provincial government come to the

1 table and noted that MIPUG was welcome to try.

2 After that meeting, MIPUG wrote to the
3 Minister of Science, Technology, Energy and Mines and
4 later to the Minister of Finance to express deep concerns
5 regarding provincial government's failure to participate
6 in discussions that had such significant implications for
7 the future of industry in Manitoba.

8 In a response provided on November 26th,
9 Minister Selinger noted that the provincial government
10 did not intend to participate directly in the
11 consultation process. I understand the Board has a copy
12 of that correspondence and subsequent correspondence.

13 We have actively attempted on numerous
14 occasions to request that the government become involved
15 in the process so that they could fully understand the
16 proposal being discussed and the very major impacts to
17 the Manitoba economy, all members of MIPUG believe, will
18 occur if the proposal is accepted.

19 Without the government's active
20 participation in any consultation process, we have no
21 idea what information the government has been provided
22 regarding this rate and the issues raised by the
23 stakeholders. This became apparent on January 29th when
24 Mr. Selinger was interviewed on CGOB about the new rate.
25 In that interview he noted that this rate was no

1 different than approaches taken in Quebec and BC.

2 He stated that, quote unquote,
3 "BC Hydro has what they call inverted
4 rates. The more you consume, the more
5 you pay, so most juris -- jurisdictions
6 have a policy similar to what's being
7 looked at here."

8 I have attached a copy of the relevant
9 extraction from the interview.

10 I was surprised that the Minister seemed
11 poorly informed about Manitoba Hydro's proposal. He
12 obviously views this punitive rate as no different than
13 the revenue-neutral stepped rate implemented in BC, a
14 rate that is designed to send an energy signal to
15 customers, but not to repel or stifle growth.

16 Given the fact that no provincial
17 government representatives have been involved in the
18 consultation process, we have no idea what government
19 knows about this rate, its implications or the genuine
20 concerns raised by industrial customers. The impact of
21 this rate will extend well beyond the customers in the
22 general service large class.

23 The potential adverse impacts of a rate
24 designed to repel new economic growth will be felt by
25 employees, affected companies and their families, the

1 predominantly rural and northern communities where
2 affected companies are located - and that's generally
3 where the new industries tend to locate - and by the
4 province as a whole.

5 A rate designed to discourage growth will
6 send the wrong signal to industries interested in
7 locating to Manitoba. With that, I'd like to turn it
8 over to Kaare Svidal from Enbridge.

9 THE CHAIRPERSON: Thank you, Mr. Turner.
10 Sir...?

11 MR. KAARE SVIDAL: Thank you My name is
12 Kaare Svidal and I work for Enbridge Pipelines as manager
13 of the Energy Management Group. My group procures both
14 electric energy and electric infrastructure for
15 Enbridge's pump stations and terminals in Canada and the
16 United States.

17 Enbridge operates a liquids pipeline
18 system that carries crude oil and refined products from
19 western Canada to refineries and consumers in both Canada
20 and the United States.

21 Enbridge is an entity whose Federal
22 facilities and tariffs are regulated by the National
23 Energy Board. Currently, Enbridge is encouraged to meet
24 service standards and control cost through an incentive
25 regulation total -- tolling settlement it has with its

1 shippers.

2 Enbridge has been in business since 1947.
3 In 1950 its first pipeline extended from Edmonton,
4 Alberta, through Saskatchewan and Manitoba, into
5 Superior, Wisconsin.

6 In addition Enbridge has been a customer
7 of Manitoba Hydro for approximately forty-three (43)
8 years, since it began purchasing electricity from
9 Manitoba Hydro in 1965.

10 In the fifty-eight (58) years that the
11 Enbridge Pipeline system has crossed Manitoba it has
12 expanded to have a total of five (5) pipelines, which run
13 from Edmonton, Alberta, to Superior Wisconsin. These
14 pipelines are part of a larger system which carries over
15 sixty (60) different products batched in the different
16 pipelines.

17 We recently received NEB approval to add
18 an additional 36 inch pipeline on the same Alberta to
19 Wisconsin right of way that passes through Manitoba.
20 This new pipeline will share the existing pipeline
21 pumping station facilities, expanding along the same
22 right of way, limits the impact to the environment, and
23 allows us to more efficiently utilize the existing common
24 pump station facilities.

25 Over the last year and a half Manitoba

1 Hydro has made presentations on the new energy intensive
2 rate which indicate that pipeline companies provide very
3 little economic benefit to the province. These
4 presentations are in response to the Board Order 117/'06,
5 Section on Energy Intensive Industry.

6 My presentation will focus on how Enbridge
7 has provided considerable value to Manitoba over its
8 fifty-eight (58) years of operation and continues to make
9 a positive contribution to the provincial economy.

10 In addition to the yearly salaries and
11 benefits of \$5 million and yearly property taxes of \$7
12 million, Enbridge contributes in several ways to the
13 Province of Manitoba.

14 First of all, Enbridge delivers all the
15 refined products used in Manitoba. In 2007 Enbridge
16 delivered 1.6 billion litres of gasoline, 1.4 billion
17 litres of diesel fuel, and 300 million litres of aviation
18 fuel for Manitobans' cars, trucks, trains, and air
19 planes. This amount has been increasing each year as
20 economic activity and the Manitoba population increases.

21 These fuels are delivered reliably and
22 economically into Manitoba through our pipeline system.
23 The expanded capacity of Enbridge's system will also
24 allow for increased deliveries of these products to meet
25 the increasing demands of Manitobans. Part of the reason

1 the fuels are delivered economically is the assets used
2 to deliver the refined products are part of a larger
3 system which benefits from economies of scale.

4 Secondly, Enbridge -- Enbridge's pipeline
5 provides Manitoba oil producers with access to the US
6 market. In 2007 Enbridge shipped approximately 12
7 million barrels of Manitoba oil, with a value of \$500
8 million. The 2007 Manitoba oil industry production was
9 up by 17 percent from 2006, and this increasing
10 production needs access to the market.

11 According to the Manitoba government
12 website, oil exploration in 2006 resulted in expenditures
13 of \$400 million, with 2007 expenditures expected to top
14 \$300 million. Clearly, this industry activity brings
15 significant benefits to Manitoba in terms of capital
16 spending on equipment and exploration, oil field
17 maintenance, and production royalties. Enbridge helps
18 facilitate this development by reliably and economically
19 bringing the Manitoba crude oil to the market.

20 Thirdly, Enbridge is a long-term,
21 financially stable, A-rated base load customer. Part of
22 Board Order 117/'06 states:

23 "Manitoba Hydro's investments in
24 generation, transmission, and
25 distribution assets represent a

1 necessarily long length commitment to
2 Manitoba with attendant major costs
3 that we borne by future ratepayers
4 whether a particular plant stays or
5 moves."

6 The Order goes on to discuss the risk to
7 Manitoba Hydro customers associated with a load staying
8 or moving.

9 Enbridge has had a presence in Manitoba
10 for over fifty-eight (58) years already and is still
11 expanding and adding to the pipeline system in Manitoba.

12 As you may recall, back in 1965, when
13 Manitoba Hydro was building new hydro dams, the Manitoba
14 government approached Enbridge -- then called
15 Interprovincial Pipelines -- and requested that IPL shift
16 from diesel to electric pump stations to provide a stable
17 base load market for the newly expanded hydro system.

18 Enbridge supported the Manitoba government
19 and spent money and resources to convert its stations to
20 electric, and those same stations are still in service
21 today. Enbridge has clearly demonstrated its long-term
22 stability as a customer over the past forty-three (43)
23 years.

24 So in summary, Enbridge does contribute to
25 the Manitoba economy through economical and reliable fuel

1 deliveries and transportation of the Manitoba crude oil
2 to market.

3 We have been that long-term, stable, base
4 load customer for the last forty-three (43) years that
5 converted our stations to electric in response to the
6 Manitoba government's request.

7 Thank you for your attention. I'd be
8 pleased to answer any questions.

9 THE CHAIRPERSON: Thank you, sir.
10 Mr. Turner...?

11 MR. BILL TURNER: Thanks, Kaare.
12 Canexus, as I've said before is -- is an electrolytic
13 process which we produce sodium chlorate, which is
14 defined as an environmentally preferred way to bleach
15 wood pulp.

16 This process requires considerable electro
17 -- electrical energy. And, in fact, approximately 60
18 percent of our manufacturing cost is the cost of
19 electricity, which is about \$48 million a year.
20 Reliable, cost effective electrical energy is one of the
21 most critical factors to our industry.

22 Canexus exports all of its product outside
23 Manitoba, and approximately 95 percent of it goes to the
24 United States. With the Canadian dollar at its current
25 high value, this has created major income losses within

1 our company and any company that export -- exports
2 product to the US.

3 The North American market for our product
4 is very competitive. Canexus operates one (1) plant in
5 each of BC, Alberta, Manitoba, Quebec, and in Brazil. In
6 the past six (6) years, Canexus has shut down two (2) of
7 our operating facilities, mainly due to high power
8 pricing, leaving several families either without
9 employment or requiring moves to other jurisdictions.

10 In times when the industry is not
11 operating at 100 percent capacity, the plants with the
12 lowest costs of production run full load, and the plants
13 with the highest cost production are cut back.

14 Our Brandon plant competes with our
15 external competitors and with the other Canexus sodium
16 chlorate plants. The competitiveness of any sodium
17 chlorate producer can be assessed easily with the three
18 (3) key considerations: power price stability and
19 availability, sale price and availability, and
20 transportation to market.

21 Of the three (3) factors, power is the
22 most important because of the large amounts of power
23 required for electrolysis. Electricity is a feed stock,
24 just like natural gas is a feed stock for the fertilizer
25 industry. Given the importance of electricity to our

1 production process, efficiency is an important
2 consideration.

3 Canexus is one of Manitoba Hydro's largest
4 DSM participants, offering about 160 megawatts a load
5 that can be curtailed by Hydro on very short notice.

6 This program was developed over a number
7 of years by working closely with Hydro as a participant
8 in the Curtailable Rates Monitoring Committee.

9 Through solid communication, this
10 committee addressed the issues and concerns of both
11 parties quickly and amicably. And the program is now one
12 of the most successful conservation programs that Hydro
13 operates, providing benefits to both Canexus and all of
14 the other customers on Hydro's system. Canexus
15 appreciates working with Manitoba Hydro cooperatively in
16 this manner.

17 Expansions within Canexus: Canexus has
18 been producing sodium chlorate in Brandon since 1968. At
19 that time, the plant started at an annual rate of 12,000
20 tonnes per year.

21 Through several upgrades, incremental
22 expansions and a major expansion that was completed just
23 two (2) months ago, we now have the ability to
24 manufacture in excess of 295,000 tonnes per year.

25 We are the largest sodium chlorate plant

1 in the world. Prior to the expansion that was completed
2 in 2004, which is the relocation of our plant from
3 Louisiana to Brandon, decisions were relatively easy due
4 in part to the high cost of electrical energy in the US.

5 The 2004 expansion project was a major
6 commitment of capital dollars and time. The cost of that
7 2004 expansion was approximately \$55, million which
8 increased the Brandon capacity by 70,000 tonnes per year.
9 In a place the size of Brandon, you can imagine the
10 economic impact it had.

11 Most of the more recent expansions were
12 awarded to the Brandon facility due to the fact that
13 Manitoba has had a history of very stable and cost
14 effective power rates. This has been a positive factor
15 and convincing our board of directors that expansions
16 should occur in Manitoba.

17 Increasing uncertainty with regard to the
18 continued stability of Hydro pricing over the past two
19 (2) to three (3) years has caused us to seriously
20 reevaluate our opins -- our options in order to justify a
21 further expansion of the Brandon plant.

22 We require capacity increases due to
23 changing markets, an increase in market share, and the
24 possibility of further rationalization of our older
25 facilities.

1 Any expansion of our operations is a major
2 commitment of resources including people, time, and
3 money. For such commitments to be justifiable there has
4 to be some level of certainty as to costs, both now and
5 in the future.

6 The uncertainty regarding the stability of
7 future electricity rates in Manitoba require that we
8 dramatically alter the design and staging of our most
9 recent expansion, completed in February of 2008.

10 The expansion succeeded in increasing
11 plant capacity by approximately 9 percent with no
12 increase in electricity consumption. However, at a cost
13 of approximately \$50 million, it only provided
14 approximately one-third (1/3) the production output
15 compared to previous expansions with the same capital
16 costs.

17 While the changes in design to increase
18 efficiency allowed for approximately 23,000 tonnes per
19 year of increased production at the plant, further
20 capital expenditures are required to achieve the balance
21 of the 10,000 tonnes per year of production that is also
22 required. This will require additional electrical
23 energy.

24 It is not low prices that bring industry.
25 Low prices can become very high very quickly if there is

1 instability in the principles and systems used to set
2 rates. We have seen this in spades in Alberta over the
3 past several years. After Alberta changed how it sets
4 rates, one (1) of our lowest cost plants became one (1)
5 of the highest cost operations.

6 Prices do matter, but it is confidence in
7 the long-term regulation and pricing systems that is key
8 consideration for business, not just today's rates. When
9 confidence is eroded, it affects all industrial
10 customers, not just those that use electricity as a
11 feedstock.

12 And certainly it can be a problem even for
13 industrial customers, who Hydro says would never be
14 affected by the proposed new rate as potential investors
15 in new industrial projects get nervous about what other
16 changes Manitoba might have in store for industry.

17 Having a rate that no one can figure out
18 who it applies to or when it might change or by how much
19 creates a climate of uncertainty that is bad for all
20 industry and potential investors in Manitoba.

21 We know that fair, cost-based rates that
22 are stable and that treat existing customers the same as
23 those who grow or who are new have been good for industry
24 and for Manitoba. Until recently, we have had confidence
25 in our investments in this province due to the fact that

1 the rates were set in a principal manner and that any
2 changes of those rates required or viewed by the PUB.

3 The application by Manitoba Hydro to
4 create an energy-intensive rate, an exemption policy
5 designed to discourage growth of existing Manitoba
6 companies, and to deter new companies from locating in
7 Manitoba has many of us concerned about the potential of
8 future industrial expansions within this province.

9 I was very disappointed to hear that
10 Manitoba Hydro had stated at the meeting that sodium
11 chlorate companies and pipelines provide very few
12 economic benefits in this province. This is simply
13 incorrect. I have no doubt that businesses, political
14 representatives, and others from the Brandon area would
15 strongly disagree.

16 In fact, Canexus has, since its exception
17 -- inception, provided significant economic benefits to
18 the people of Brandon and to Manitoba generally. Many
19 businesses, both in Brandon and across Manitoba, have
20 benefited from the continuing opportunities that Canexus
21 operations provide.

22 I note that past expansion of our
23 expansions -- of our operations, pardon me, have been
24 significant undertakings in the Brandon area and have
25 provided opportunities to firms that do concrete work,

1 excavation, electrical work, building design and
2 installation, rail car repairs and trucking services.
3 Our expansions also create increased demand for local
4 services in Brandon, such as hotels, restaurants, gas
5 stations.

6 As noted earlier, MIPUG has conducted its
7 own report stating the economic impact of member
8 companies such as Canexus have in their respective
9 communities as well in the province.

10 I'm not aware of Manitoba Hydro ever
11 carrying out a similar study that would support its
12 simplistic assertions regarding the benefits that
13 companies such as Canexus provide to the community.

14 No one from Manitoba Hydro or from the
15 province has come to talk to me about the benefits and
16 opportunities Canexus provides to other individuals and
17 businesses in Brandon. If they had, I would have gladly
18 provided them the information they needed to come to an
19 informed conclusion.

20 The role of Canexus in Brandon life can
21 be, I think, appreciated by the people that live in
22 Brandon. And Canexus may not be the biggest company in
23 Manitoba, but we have a quality-committed work force
24 that, due to our most recent expansion, has grown to
25 seventy-four (74) people. These are skilled workers with

1 well-paying jobs who play vital roles in the Brandon
2 community.

3 Since locating in Brandon, both Canexus
4 and its employees have been actively involved in
5 community life and have maintained close ties to the
6 Brandon community.

7 Canexus has been instrumental in assisting
8 to raise funds in the community and providing donations
9 to various community projects and events.

10 We view our place in the Brandon community
11 with pride, helping support our families, pay taxes, and
12 provide further opportunities for trained people to find
13 employment on the Westman region.

14 In closing, the industrial customers of
15 Manitoba Hydro have been well served by this utility in
16 the past. Hydro is a good company to deal with, and we
17 would not want our comments to be read as criticism of
18 the professional and competent staff that we work with at
19 Manitoba Hydro.

20 Although we have been have been blessed in
21 the past with a good partner in Hydro, we are concerned
22 with what is a major shift in Manitoba Hydro's priorities
23 away from its domestic customers to its export sales.

24 For industries that invest significant
25 capital and resources in Manitoba, the most important

1 fact with respect to Hydro rates is a stable and
2 predictive coal price environment.

3 We believe that Manitoba ratepayers have
4 been well served by having Hydro's rates regulated by the
5 Public Utilities Board. Industrial compers -- customers
6 in particular have seen the havoc that rises when other
7 jurisdictions in Canada and the United States have veered
8 away from the regulated environment that has served us
9 well.

10 Being involved with a number of industrial
11 associations across Canada, as well as within the
12 chemical industry, I want to let the Board know that
13 there is interest and growing concern in the business
14 community about what is happening in Manitoba.

15 If this proposal is accepted, it will have
16 a dampening affect on industrial growth within this
17 province. I ask the Board to consider the presentations
18 made by MIPUG in light of the competitive challenges
19 faced by Canexus and other energy-intensive industries in
20 Manitoba and to help us retain our competitive position
21 in Manitoba and within North America.

22 The future growth of large industry in
23 Manitoba depends on reliable, firm power at fair and
24 reasonable rates. I'd like to thank all of you for
25 listening to us today.

1 THE CHAIRPERSON: Thank you, Mr. Turner.
2 We have the presentation of the economic impact, which is
3 an update of an earlier work that was done before. And
4 we appreciate your coming and putting on this
5 presentation. And MIPUG is well represented by two (2)
6 counsels and the consultants that are also at the
7 Hearing.

8 Do you have any questions? Do you have
9 any questions? Anyway, thank you very much. We
10 appreciate you coming.

11

12 (BRIEF PAUSE)

13

14 THE CHAIRPERSON: Ms. McCaffrey, do you
15 want to just stand down for a minute?

16 MS. TAMARA MCCAFFREY: If I just might
17 have a moment. Sometimes in the past MIPUG has also
18 provided a written copy of their -- of their oral
19 presentation for the -- for the reference of the Board
20 and anybody that wants a copy. We have those copies
21 available. They -- they haven't been distributed.

22 We're at the Board's pleasure. If you'd
23 like a copy of the presentation that was just made,
24 certainly that's available at this time.

25 THE CHAIRPERSON: Yes, please. I am sure

1 the others here would like it too.

2 MS. TAMARA MCCAFFREY: Certainly. We
3 will pass them around and then --

4

5 (BRIEF PAUSE)

6

7 THE CHAIRPERSON: We'll give it MIPUG
8 Number 13, just so that we have it separate.

9 MS. TAMARA MCCAFFREY: MIPUG-13.

10

11 --- EXHIBIT NO. MIPUG-13: Written copy of MIPUG
12 presentation

13

14 THE CHAIRPERSON: We have one (1)
15 question --

16 MS. SUSAN PROVEN: Mr. Turner, just for
17 clarification, you mentioned Hargrave in your
18 presentation. And -- and I can see on the map it was
19 Virden.

20 Is it Hargrave or is it Virden where the
21 company is located?

22 MR. BILL TURNER: Generally the term is -
23 - is used as Virden, because everybody knows where Virden
24 is. But Hargrave is approximately ten (10) or fifteen
25 (15) miles --

1 MS. SUSAN PROVEN: Right.

2 MR. BILL TURNER: -- west of -- of
3 Virden.

4 MS. SUSAN PROVEN: So it is Hargrave?

5 MR. BILL TURNER: Yes.

6 MS. SUSAN PROVEN: Okay, thanks.

7

8 (BRIEF PAUSE)

9

10 THE CHAIRPERSON: Okay. Any time you are
11 ready, Ms. McCaffrey.

12 MS. PATTI RAMAGE: Perhaps, before Ms.
13 McCaffrey begins, we had handed out some undertakings.

14 THE CHAIRPERSON: Oh, very good.

15 MS. PATTI RAMAGE: Maybe we could get
16 those entered?

17 THE CHAIRPERSON: Okay, Ms. Ramage...?

18 MS. PATTI RAMAGE: Manitoba Hydro
19 Undertaking Number 73, dealing with the definition of
20 contract labour, we suggest it appears it be Exhibit MH-
21 73.

22

23 --- EXHIBIT NO. MH-73: Response to Undertaking 73

24

25 MS. PATTI RAMAGE: Manitoba Hydro

1 Undertaking Number 79 be Manitoba Hydro 74

2

3 --- EXHIBIT NO. MH-74: Response to Undertaking 79

4

5 MS. PATTI RAMAGE: Manitoba Hydro
6 Undertaking Number 84, we suggest be marked as Exhibit
7 Manitoba Hydro 75.

8

9 --- EXHIBIT NO. MH-75: Response to Undertaking 84

10

11 MS. PATTI RAMAGE: Manitoba Hydro
12 Undertaking Number 93, we suggest be marked as Exhibit
13 Number MH-76.

14

15 --- EXHIBIT NO. MH-76: Response to Undertaking 93

16

17 MS. PATTI RAMAGE: Undertaking 81 be
18 assigned Exhibit MH-77.

19

20 --- EXHIBIT NO. MH-77: Response to Undertaking 81

21

22 MS. PATTI RAMAGE: And Manitoba Hydro
23 Undertaking Number 66 be assigned Exhibit Number 78.

24

25 --- EXHIBIT NO. MH-78: Response to Undertaking 66

1 THE CHAIRPERSON: Very good, thank you.

2

3 (BRIEF PAUSE)

4

5 THE CHAIRPERSON: Just give us --

6 MS. TAMARA MCCAFFREY: You know, I'm
7 afraid I'm just going to need a minute, because I'm
8 looking for copies of those Undertakings. I thought they
9 were distributed, but I'm trying to put my hands on the
10 undertakings that Manitoba has provided.

11 THE CHAIRPERSON: That is fine, we are
12 sorting out things through here too.

13

14 (BRIEF PAUSE)

15

16 THE CHAIRPERSON: Any time you are ready.

17

18 (BRIEF PAUSE)

19

20 THE CHAIRPERSON: Okay, it would appear
21 all the packages have been distributed, Ms. McCaffrey.

22 MS. TAMARA MCCAFFREY: Thank you very

23

24 MANITOBA HYDRO COST OF SERVICE AND RATE DESIGN PANEL

25 RESUMED:

1 KURT ROBIN WIENS, Resumed

2 CHIC THOMAS, Resumed

3 VINCE WARDEN, Resumed

4 HAROLD SURMINSKI, Resumed

5

6 CONTINUED CROSS-EXAMINATION BY MS. TAMARA MCCAFFREY:

7 MS. TAMARA MCCAFFREY: And -- and
8 resuming now our cross-examination with respect to the
9 cost of service.

10 With respect to your response to
11 Undertaking Number 13, Manitoba Hydro Exhibit 19, that
12 was the document that compared the PCOSS Cost of Service
13 '08 cost to Wuskwatim cost, the energy number in kilowatt
14 hours that you used to calculate the per unit cost for
15 Wuskwatim, I'm -- I'm wondering whether that number was
16 referenced to northern generation or is it referenced to
17 the southern part of the grid?

18 Do you need to -- do you need to look it -
19 - that up and get back to me on that one? Manitoba Hydro
20 Exhibit 19.

21

22 (BRIEF PAUSE)

23

24 MR. CHIC THOMAS: Could you repeat the
25 question please, Ms. McCaffrey.

1 MS. TAMARA MCCAFFREY: Undertaking Number
2 13 was marked as Exhibit Manitoba Hydro 19, and that was
3 comparing the PCOSS '08 cost to the Wuskwatim cost, and
4 my question was: The energy number used there in
5 kilowatt hours to calculate the per unit cost for
6 Wuskwatim, is that number referenced to northern
7 generation or is it referenced to the southern part of
8 the grid?

9 MR. CHIC THOMAS: Unfortunately, Ms.
10 McCaffrey, that was undertaken by somebody on our other
11 panel, so we don't have the precise answer right now.
12 Perhaps we should undertake to get that for you.

13 MS. TAMARA MCCAFFREY: Sure, that --
14 that's fine. If you could -- if you could let me know
15 once you find out, that would be useful. And I can move
16 on then.

17
18 --- UNDERTAKING NO. 89 Manitoba Hydro to indicate to
19 MIPUG, in regards to
20 Undertaking Number 13,
21 Manitoba Hydro Exhibit 19, if
22 the energy number used in
23 kilowatt hours to calculate
24 the per unit cost for
25 Wuskwatim, is referenced to

1 MS. TAMARA MCCAFFREY: And which version
2 of the Power Resource Plan is it consistent with? I'm
3 referring here to the fact that there's no new industrial
4 rate as I understand it in the Power Resource Plan, your
5 current Power Resource Plan.

6 I'm referring to the Power Resource Plan
7 '07/'08.

8 MR. CHIC THOMAS: Again it would be
9 consistent with the IFF '06 which would have been the
10 '05/'06 Power Resource Plan, I believe.

11 MS. TAMARA MCCAFFREY: Thank you for that
12 clarification.

13

14 (BRIEF PAUSE)

15

16 MR. CHIC THOMAS: Clarification there,
17 Ms. McCaffrey. I was informed that the power resource
18 plant is down in the summertime so it would have been the
19 -- the '06/'07 not the '05/'06 which I just stated.

20 MS. TAMARA MCCAFFREY: Thank you for
21 that. Now we'll move on now with respect to the
22 implementation of the directives from Board Order
23 117/'06. Mr. Peters has covered quite a bit of this with
24 you so hopefully we won't be too long, but in your direct
25 examination, Mr. Thomas, you summarized the changes to

1 the PCOSS '08 resulting from the 2006 Cost of Service
2 Study proceeding.

3 One (1) of the changes, sir, that you
4 noted is that the PCOSS '08 has only one (1) export
5 customer class which is what was directed in Order
6 117/'06, correct?

7 MR. CHIC THOMAS: Yes.

8 MS. TAMARA MCCAFFREY: And another change
9 that you noted was that the PCOSS '08 transmission costs
10 are allocated entirely on the basis of demand, but in the
11 '06 study, those lines that serve the export market were
12 allocated on the basis of energy, correct?

13 MR. CHIC THOMAS: Yes.

14 MS. TAMARA MCCAFFREY: Now, Mr. Thomas,
15 can you confirm that Manitoba Hydro chose to revise its
16 proposal in 2006 to remove the classification of
17 transmission to energy, and do you recall your rebuttal
18 evidence dealt with that in some -- in some detail in the
19 2006 proceeding but you recall that change?

20 MR. CHIC THOMAS: Yes, I do.

21 MS. TAMARA MCCAFFREY: And if you -- if
22 you'll permit me to just read a very brief portion from
23 the Manitoba Hydro rebuttal evidence of the 2006 Cost of
24 Service Hearing dated April 27th, 2006, and it's at page
25 43 for reference, but I'll -- I'll read it into the

1 record:

2 "Subsequent internal review leads to
3 the conclusion that the transmission
4 system whether it provides energy or
5 reliability benefits and whether it
6 serves domestic or export customers is
7 an integrated system and is more
8 appropriately viewed as a single
9 function.

10 Consequently, Manitoba Hydro now
11 believes it would be appropriate to
12 classify the entire transmission system
13 as demand-related and allocate its cost
14 on the basis of the 2CP allocator."

15 That's two (2) excerpts from that, but is
16 that consistent with your recollection of what Manitoba
17 Hydro did then, sir?

18 MR. CHIC THOMAS: It is.

19 MS. TAMARA MCCAFFREY: So would it be
20 fair to say that by the time we actually got to the 2006
21 hearing, in this room, Manitoba Hydro's proposal by that
22 time was, in fact, to classify transmission as 100
23 percent to demand and allocate those costs on the basis
24 of the 2CP allocator?

25 MR. CHIC THOMAS: Yes.

1 MS. TAMARA MCCAFFREY: And does Manitoba
2 Hydro still believe that that is the appropriate cost
3 service treatment for those costs, sir?

4 MR. CHIC THOMAS: Well, I guess it's more
5 -- more a question of the magnitude of the change. One
6 (1) of the reasons that -- that change was initially
7 proposed in the NERA study a few years back so we had
8 implemented that, but unfortunately the effect it
9 actually had was very minor and in the interest of
10 simplicity, we decided to revert back to the other way
11 because it didn't have meaningful implications on the
12 final results on the cost of service.

13 MS. TAMARA MCCAFFREY: Yes, you did and -
14 - and so today that's still your position; that this is
15 the better way to do it, 100 percent demand?

16 Is that still Hydro's position today?

17 MR. CHIC THOMAS: Yes.

18 MS. TAMARA MCCAFFREY: Finally, Mr.
19 Thomas, you noted in your direct evidence that the PCOSS
20 '08 allocates generation costs on the basis of marginally
21 cost-weighted energies using twelve (12) SEP time periods
22 instead of four (4) as originally proposed by Hydro.

23 Is that correct, sir?

24 MR. CHIC THOMAS: Yes.

25 MS. TAMARA MCCAFFREY: Now, sir, would

1 you agree that Hydro essentially agreed to that change as
2 well during the 2006 Cost of Service Hearing, sir?

3 MR. CHIC THOMAS: Yes.

4 MS. TAMARA MCCAFFREY: And does Hydro
5 continue to believe that it's reasonable to use the
6 twelve (12) SEP time periods? You're not proposing any
7 changes to that are you?

8 MR. CHIC THOMAS: No, we're not proposing
9 changes.

10

11 (BRIEF PAUSE)

12

13 MS. TAMARA MCCAFFREY: You-- you
14 referenced the NERA study. Many of us in this room are
15 familiar with that, on generation classification.

16 My recollection is that one (1) of the
17 statements there on generation classification was that a
18 forward-looking estimate of those types of costs would be
19 preferable to a historic-looking view but that the SEP
20 data was a reasonable substitute until an acceptable
21 forward-looking set of opportunity costs could be found.

22 I have a reference if you need it, but is
23 that consistent with your understanding of their position
24 as well?

25 MR. CHIC THOMAS: From what I can recall

1 of the report, yes.

2 MS. TAMARA MCCAFFREY: Okay. And -- and
3 for the record it would be page 59 of the NERA report
4 under classification, allocation methods for generation
5 and transmission and Cost of Service Studies. And that's
6 the report dated February 11, 2004.

7 Now in that report and you don't need to
8 turn to it, NERA suggested that perhaps a consensus type
9 of forecast might be reasonable. That, as I understand
10 it, is the type of thing that's used for interest rate
11 forecasting.

12 Are you familiar with the term 'consensus
13 forecast'?

14 MR. CHIC THOMAS: No, I'm not.

15 MS. TAMARA MCCAFFREY: With respect to
16 interest rates, my understanding is that a consensus
17 forecast would involve contacting a number of, you know,
18 banks and -- and entities that forecast interest rates
19 and getting a consensus.

20 The -- the source of each individual
21 forecast isn't provided but there's sort of an averaging
22 that takes place in the consensus built in. Is this
23 something you're familiar with perhaps, Mr. Warden?

24 MR. VINCE WARDEN: Yes, I am.

25 MS. TAMARA MCCAFFREY: All right. Well

1 then perhaps you can -- you can help us here with respect
2 to that.

3 Do you think a consensus type of forecast
4 might be reasonable with respect to these types of costs
5 in terms of -- what's a better way. I don't know if I'm
6 wording that in a specific enough way.

7 Is a consensus type of forecast the type
8 of thing that Manitoba Hydro might look at in terms of
9 forecasting these kinds of costs in terms of ...

10 MR. VINCE WARDEN: Ms. McCaffrey, I'm
11 not clear on which types of costs you're referring to.

12 MS. TAMARA MCCAFFREY: Just give me a
13 moment. I'm going to try and word that a little bit more
14 precisely.

15

16 (BRIEF PAUSE)

17

18 MS. TAMARA MCCAFFREY: With respect to
19 the NERA reference and they're talking about the types of
20 costs, I'm -- I'm actually talking about marginal costs,
21 if you could choose that consensus type of forecasting
22 for marginal costs in terms of the way you look at.

23 Would that be something that is a
24 possibility? Do you think, theoretically, it could work?

25 MR. VINCE WARDEN: Not really. As we've

1 talked about in these proceedings, there's different
2 definitions of marginal costs and to the extent that
3 Manitoba Hydro is using opportunities cost as a proxy for
4 -- for marginal costs, I -- I don't see how a consensus
5 approach would work.

6 MS. TAMARA MCCAFFREY: Well, let me put
7 it to you this way. If -- if Manitoba Hydro does some
8 forecasting, internal forecasting with respect to what
9 the market's going to be doing, it's possible that other
10 utilities undergo a similar exercise in the market, and a
11 consensus would basically be trying to get, essentially,
12 confidential forecasts from a number of utilities and
13 performing some sort of averaging.

14 I'm looking at an option to do some sort
15 of check to marginal cost forecasts that Manitoba has put
16 forward that we don't have an ability to test.

17 MR. VINCE WARDEN: We -- we, in fact, do
18 that when we forecast -- or we come up with a forecast of
19 what prices may be long term on the export markets. We
20 do look at the forecast of a number of different
21 consultants and come up with a -- what we -- what could
22 be determined -- deemed to be a consensus forecast.

23 MS. TAMARA MCCAFFREY: So you do that;
24 you provide some sort of consensus forecast. Is that on
25 -- on the record anywhere? Do you provide that?

1 MR. VINCE WARDEN: Well, no, and -- and
2 it wouldn't come within the strict definition of the
3 consensus forecast because it isn't strictly a
4 mathematical type of a exercise. We -- we look at the
5 forecasts of service providers that are in the business
6 to do this and then we come to our own judgement as to
7 what that market -- future market is going to look like.

8

9 (BRIEF PAUSE)

10

11 MS. TAMARA MCCAFFREY: Thank you, Mr.
12 Warden. I want to take you now to a table that is in the
13 MIPUG evidence that was filed and prepared by Misters
14 Bowman and McLaren. And I'll give you a moment to -- to
15 have that before you. And I'm just --

16 MR. ROBIN WIENS: In this -- in this
17 proceeding?

18 MS. TAMARA MCCAFFREY: Yes.

19 MR. ROBIN WIENS: Or a previous
20 proceeding?

21 MS. TAMARA MCCAFFREY: That's right. No,
22 in this proceeding. The pre-file testimony of Misters
23 Bowman and McLaren, February 5th, 2008.

24 MR. ROBIN WIENS: I have a copy of that.

25 MS. TAMARA MCCAFFREY: All right. I'm

1 going to take you now sir to page 33, Table 4.3 of that
2 evidence.

3 MR. ROBIN WIENS: Yes, we have that.

4 MS. TAMARA MCCAFFREY: You recall some
5 discussion with other counsel with respect to some of the
6 directives from Order 117/'06. And in particular, the
7 reference to the direction that in addition to uniform
8 rate adjustments, net export revenues to be further
9 reduced by DSM costs and by the allocation required by
10 Bill 11 prior to allocation to the domestic customer
11 classes.

12 You went through that with Mr. Peters
13 already, correct?

14 MR. ROBIN WIENS: Yes.

15 MS. TAMARA MCCAFFREY: Now, what I
16 understand that you did is that Hydro directly assigned
17 the DSM costs, about 24.6 million to the export costs,
18 but then also reduced the export sales that flowed into
19 Cost of Service Study by 1,350 gigawatt hours.

20 Is that right?

21 MR. ROBIN WIENS: Yes.

22 MS. TAMARA MCCAFFREY: So that, just so
23 that we're clear, that energy is not in the common
24 domestic pool now. It's been assigned directly to the
25 export costs?

1 MR. ROBIN WIENS: Yes.

2 MS. TAMARA MCCAFFREY: And Mr. Wiens, I
3 believe you offered an explanation for why Hydro did
4 that, and if I'm paraphrasing you correctly, I understood
5 that you'd indicated the release assigning the DSM
6 expenditures to this class release that energy from a
7 domestic requirement and made it available to be
8 exported.

9 I believe that was your explanation for
10 it. I can give you a transcript reference if you need
11 it.

12 MR. ROBIN WIENS: That -- that's fine.
13 I'll accept that.

14 MS. TAMARA MCCAFFREY: Now taking you to
15 Table 4.3 of Mr. Bowman and McLaren's evidence. What
16 they tried to do here was follow the energy supply and
17 the energy demand going into the Cost of Service Study.

18 So in column A, you've got the gigawatt
19 hours of generation supply and generation demand, which
20 we got data from you from MIPUG/Manitoba Hydro-2-3E,
21 prior to any adjustments for the direct assignments to
22 the export costs; that's what we have in column A.

23 Are you with me, Mr. Wiens? Mr. Thomas?

24 MR. ROBIN WIENS: Sure, we can proceed.

25 MS. TAMARA MCCAFFREY: Okay, so this is

1 column A. And when you follow through the direct
2 assignments of the generation supply and demand to the
3 export costs, so you see that in column B, we see that
4 the sales to expert customers are reduced by 3,938
5 gigawatt hours in column B. That's been taken out.

6 Is that right, sir?

7 MR. ROBIN WIENS: Yes.

8 MS. TAMARA MCCAFFREY: Now, if we look on
9 the supply side, we've reduced the generation by 560
10 gigawatt hours for the thermal generation and 2,028
11 gigawatt hours for the imports for a total of 2,588
12 gigawatt hours from the supply side on this table.

13 Do you see that, sir?

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

15 MS. TAMARA MCCAFFREY: So now the
16 problem, as this table seems to suggest, is that it's
17 unbalanced. The table's out of balance by 1,350 gigawatt
18 hours and that would be the supply less demand.

19 Do you see that in the -- at the bottom of
20 the second column?

21 MR. ROBIN WIENS: Well, that's the way
22 you've presented it.

23 MS. TAMARA MCCAFFREY: That's right but I
24 understand that your interpretation, Hydro's
25 interpretation, is that 1,350 gigawatt hours comes out of

1 the hydraulic generation line, line 2, which is the
2 29,611 gigawatt hours line?

3 You see that line 2 at the top of the
4 table there?

5 MR. ROBIN WIENS: Yes, that's where it
6 comes.

7 MS. TAMARA MCCAFFREY: Okay. And Hydro's
8 treatment in the Cost of Service Study assumes that the
9 generation is directly assigned to the export class as a
10 result of paying for the DSM expenditures, correct?

11 MR. ROBIN WIENS: So far.

12 MS. TAMARA MCCAFFREY: So effectively, in
13 2008/'09, the export class has bought access to that
14 portion of hydraulic generation, 1,350 gigawatt hours
15 worth for the \$24.6 million in DSM costs and if we did
16 the calculation which you may want to do on your own, it
17 should work out to about one point eight (1.8) cents per
18 kilowatt hour.

19 Would you accept that, subject to check,
20 sir?

21 MR. ROBIN WIENS: I don't recall that
22 number precisely, but it's pretty close.

23

24

(BRIEF PAUSE)

25

1 MS. TAMARA MCCAFFREY: Now, we know that
2 most of the 1,350 gigawatt hours of DSM is already
3 included in the sales forecast, and there are savings
4 that are already built into that forecast.

5 Is that correct?

6 MR. ROBIN WIENS: Historic DSM, yes.

7 MS. TAMARA MCCAFFREY: So one (1) of the
8 ways that Hydro could have accounted for the DSM energy
9 in the Cost of Service Study instead of assuming that it
10 was buying access to the hydraulic generation, you could
11 have grossed up domestic sales by that amount right,
12 taking it from the DSM savings?

13 You could have increased the sales by a
14 hundred and -- one thousand three hundred and fifty
15 (1,350)?

16 MR. ROBIN WIENS: Yes, that's -- that's
17 an alternative way that we could have looked at it.

18 MS. TAMARA MCCAFFREY: Do you know what
19 the impact on the results of the PCOSS might have been if
20 you had done it that way --

21 MR. ROBIN WIENS: No, I don't.

22 MS. TAMARA MCCAFFREY: -- directionally -
23 - directionally, generally?

24

25 (BRIEF PAUSE)

1 MR. ROBIN WIENS: I don't think it's
2 going to be a large impact, Ms. McCaffrey. We haven't
3 modeled it. We can't respond precisely to your question.
4 I think the likelihood is that it would wind up --
5 although this -- this would be subject to our actually
6 doing the calculation -- it would likely wind up
7 assigning more cost to the export class.

8 MS. TAMARA MCCAFFREY: And the way that
9 you have done it though it still takes the low cost
10 energy from the DSM, about roughly one point eight (1.8)
11 cents per kilowatt hour, from the domestic pool and gives
12 it to the exports? That's the fall-out of the treatment
13 that you've done, correct?

14 MR. ROBIN WIENS: It transfers that
15 amount of energy at a cost equivalent to the DSM, yes.

16
17 (BRIEF PAUSE)

18
19 MS. TAMARA MCCAFFREY: I'm prepared to
20 move into a different area now. I note the time. I'm at
21 the Board's pleasure as to whether they'd prefer to take
22 a break now.

23 THE CHAIRPERSON: We'll take a break now.
24 Thank you.

25 MS. TAMARA MCCAFFREY: Thank you.

1 --- Upon recessing at 2:43 p.m.

2 --- Upon resuming at 2:55 p.m.

3

4 THE CHAIRPERSON: Okay, we're all back
5 together again.

6 Ms. McCaffrey?...

7 MS. TAMARA MCCAFFREY: Yes, thank you.
8 You know, I -- before I continue with my cross-
9 examination, I believe Mr. Landry -- I want to give him
10 an opportunity to rest something on the record now
11 because he will have to leave us to go back to British
12 Columbia at some point.

13 So, take it away, Mr. Landry.

14 THE CHAIRPERSON: Probably should enjoy
15 the warm weather before he gets back to that frigid zone.

16 MR. JOHN LANDRY: The dry weather that's
17 probably a better way to put it. Mr. Chairman, just so -
18 - and I do apologize for interrupting the cross-
19 examination here, but there was a undertaking from
20 Manitoba Hydro relating to some questions that arose
21 yesterday relating to the definition of affiliate
22 companies, you'll recall. And so this undertaking was
23 filed, and I -- I seek leave of the -- of the Chair to
24 follow-up a few questions.

25 THE CHAIRPERSON: That's fine.

1

2 CONTINUED CROSS-EXAMINATION BY MR. JOHN LANDRY:

3 MR. JOHN LANDRY: Thank you. Mr. Wiens
4 and Mr. Warden, I guess, you were the two (2) individuals
5 that spoke to this issue yesterday.

6 Do you have a copy of your Exhibit
7 Manitoba Hydro 76?

8 MR. VINCE WARDEN: We do.

9 MR. JOHN LANDRY: Sir, let's just -- I --
10 I think make something clear on the record that it maybe
11 is now -- there is no agreement between MIPUG and
12 Manitoba Hydro in relation to any of the matters that's
13 being brought forward in this proposal.

14 Would you agree with that?

15 MR. VINCE WARDEN: There is no formal
16 agreement. I would -- I would definitely agree with
17 that. There were, however, consultations -- discussions,
18 and although I wasn't present at those discussions, it's
19 my understanding from speaking to people that were there
20 that there was agreement that for purposes of the
21 definition of an affiliate that the tax -- Income Tax Act
22 would be used and, hence the excerpt from the act that
23 you have before you.

24 MR. JOHN LANDRY: But -- but, sir, my
25 point too is, I think, relatively clear. I'm not sure

1 what you mean by agreement because it's my understanding,
2 and I'll give you a chance to comment on it, and if MIPUG
3 has to file evidence in response to this, they will.

4 But my -- my instructions are that
5 relative to the proposal that has been brought forth by
6 Manitoba Hydro, there is no agreement between MIPUG and
7 the industrials on any matter that you brought forward.

8 Am I wrong in that? I don't see anything
9 in the record that suggests that.

10 MR. VINCE WARDEN: Well --

11 MR. JOHN LANDRY: Except for this.

12 MR. VINCE WARDEN: -- I think I agreed
13 that there's no over-arching agreement, however, there
14 were certain points that, again according to my
15 understanding of the people that attended those
16 consultations, that there was agreement reached on
17 certain approaches to certain issues, and this is one (1)
18 of them.

19 MR. JOHN LANDRY: Well, sir, you weren't
20 at -- at those meetings, were you?

21 MR. VINCE WARDEN: I -- I said that.

22 MR. JOHN LANDRY: Yeah, and nobody in
23 this panel was at those meetings?

24 MS. PATTI RAMAGE: No.

25 MR. VINCE WARDEN: Nobody on the panel

1 was at those -- well, I -- Mr. Wiens was present at a
2 number of those meetings, but not all.

3 MR. JOHN LANDRY: Was he -- were you at
4 this meeting that Mr. Warden is referring to, Mr. Wiens?

5 MR. ROBIN WIENS: I -- I was not at that
6 particular meeting.

7 MR. JOHN LANDRY: Was anybody else in
8 this panel at that meeting?

9 MR. VINCE WARDEN: Not on this panel, no.

10 MR. JOHN LANDRY: Okay, well, let's start
11 from there. None of you has any personal information to
12 suggest that there was any agreement between the MIPUG
13 members and Manitoba Hydro in relation to this issue?

14 MS. PATTI RAMAGE: Mr. Chair, Manitoba
15 Hydro is testifying as a panel for the Corporation not as
16 individuals. There are six thousand (6,000) employees
17 that this panel represents.

18 If we are to put the mem -- the person who
19 -- who heard something, spoke to something -- spoke to an
20 issue for each issue, we will be here forever. And I
21 think it is an understanding going into this the people
22 on the panel inform themselves as to what other
23 individuals have discussed and provide the Board with
24 that evidence and --

25 THE CHAIRPERSON: That has been our

1 normal practice.

2 Mr. Landry...?

3 MR. JOHN LANDRY: Mr. Chair, I don't want
4 to get too formalistic on this, but this is the first
5 indication that I've had anything on the record to
6 suggest any type of an agreement on anything relating to
7 this proposal. There's no question there was
8 consultations. There was no question there was an
9 attempt to come to a resolution matter but nothing was
10 agreed to. That's my understanding.

11 This suggests there was an agreement, and
12 it's the first time that we have seen it, and my
13 instructions are that there was no agreement on any items
14 because there was no agreement on the formal proposal and
15 that's the -- that's the struggle I'm having in the
16 context of what we're talking about here. I'll leave
17 that on the record.

18 MIPUG will have to decide what it's --
19 it's going to do in terms of that and I -- I -- but I do
20 have some questions on the balance of the exhibit.

21 THE CHAIRPERSON: Please.

22

23 CONTINUED BY MR. JOHN LANDRY:

24 MR. JOHN LANDRY: Sir, are you suggesting
25 to the Board that what should go into the baseline

1 determination criteria, not the crit -- not the exemption
2 criteria -- are you suggesting to the Board that what
3 should go into the criteria that is approved by this
4 Board is a section from the Income Tax Act, the one that
5 you've put in this undertaking?

6 MR. VINCE WARDEN: No, I'm not suggesting
7 that. This panel was asked -- requested -- to provide a
8 definition of an affiliate and -- in discussion with the
9 individual representing Manitoba Hydro at the meetings
10 with MIPUG and -- and other customers. This is the
11 result of that -- of that consultation with that
12 individual.

13 So I would not suggest that this be
14 verbatim incorporated in the -- in the Manitoba Hydro's
15 definition of what goes into the baseline calculation,
16 however, it -- it does form the basis of a definition for
17 an affiliate.

18 MR. JOHN LANDRY: Sir, --

19 MR. VINCE WARDEN: There are probably
20 lots of terms within the -- our application that could be
21 subject to some form of definition, and this -- this is -
22 - this is one that we've -- we've provided.

23 MR. JOHN LANDRY: In the space of the
24 fifteen (15) minutes I had would it surprise you, sir,
25 that this definition under the Income Tax Act has been

1 looked at by courts in this country on more than thirty
2 (30) occasions?

3 Would it surprise you?

4 MS. PATTI RAMAGE: Is that evidence or is
5 that a question?

6 MR. JOHN LANDRY: I withdraw that
7 question.

8

9 CONTINUED BY MR. JOHN LANDRY:

10 MR. JOHN LANDRY: Sir, let me -- let me
11 try to be clearer than I guess I was.

12 Is it the position of Manitoba Hydro that
13 this is the definition of "affiliate" that this Board is
14 to approve when it approves the issues relating to
15 baseline, in determination of baseline?

16 Is this the definition?

17 MR. VINCE WARDEN: Well, I don't think
18 this Board has been asked to approve a definition.

19 MR. JOHN LANDRY: What definition has it
20 been asked to approve?

21 MR. VINCE WARDEN: It has not been asked
22 to approve any definition. This Board is being asked to
23 approve -- approve -- will ultimately be asked to approve
24 a rate.

25 MR. JOHN LANDRY: Okay, sir, and in that

1 rate, one (1) of the key components of the rate you'll
2 agree with me is the determination of the baseline for
3 each industrial customer, correct?

4

5 (BRIEF PAUSE)

6

7 MS. PATTI RAMAGE: At risk of jumping
8 into legalities at this point, and perhaps it might
9 assist to provide a little information on past practice
10 of -- of these types of rates. Manitoba Hydro typically
11 -- on a special rate case, and there hasn't been many of
12 them -- files -- presents its case to this Board and asks
13 for approval of the rate.

14 We have never in my knowledge -- and I am
15 attempting -- I don't intend to be giving evidence --
16 have we looked at definitions or anything to this degree,
17 but rather we get the direction of this Board with
18 respect to terms and conditions and after the rate has
19 been approved, draft those terms and conditions, has been
20 my experience.

21 We look to the Board to approve the rate,
22 those terms and conditions are in fact an integral part
23 of the rate, and afterwards the Board looks at those
24 terms and conditions. They're integral to the rate, but
25 the Board approves the rate.

1 So I'm -- I'm struggling with the degree
2 that we're looking at this because in the past this --
3 this hasn't been something, and I understand that
4 something -- you're looking at today, but it --
5 historically, we have not looked at terms and conditions
6 to the degree -- under the microscope I am seeing today.

7 THE CHAIRPERSON: We may have missed
8 something, but the question seems straightforward enough.
9 Mr. Landry, do you want to ask it again?

10 MR. JOHN LANDRY: I thought it was
11 straightforward, Mr. Chair, and I probably won't be able
12 to articulate it as clearly as I did last time because it
13 is getting later in the day but I'll try.

14

15 CONTINUED BY MR. JOHN LANDRY:

16 MR. JOHN LANDRY: Sir, is the definition
17 of affiliate that you want utilized when the Board
18 considers your rate proposal the definition that's in
19 Undertaking 93, Exhibit Manitoba Hydro 76?

20 Is that the definition?

21 MR. VINCE WARDEN: Well, I think we've --
22 we've responded to an undertaking here as to what
23 Manitoba Hydro's interpretation of affiliate is, and that
24 has been provided as indicated.

25 I think your question, though, was whether

1 or not we are requesting this Board to approve the
2 definition of an affiliate, and my answer to that was no.

3 MR. JOHN LANDRY: Sir, is this the
4 definition that you would like this Board to consider
5 when it's looking at your rate proposal?

6 MR. VINCE WARDEN: Well, the Board can
7 consider whatever it chooses to consider. I -- I hope
8 they consider all of our evidence and discount yours but
9 -- but --

10 MR. JOHN LANDRY: I don't give evidence
11 sir.

12 MR. VINCE WARDEN: Well, you represent
13 somebody that does give evidence, I think.

14 MR. JOHN LANDRY: So, I'm sorry, sir, I -
15 - I'm going to ask the -- the question one more time and
16 then I'll leave it to the Chair.

17 MR. ROBERT MAYER: Mr. Landry, your
18 question, if I recall it, after you got the answer which
19 you didn't particularly like from Mr. Warden, you did go
20 on and say something about aren't -- isn't the guideline
21 or the -- sorry -- the baseline an important issue in
22 determining the -- the rate for any company that's found
23 to fall within this -- this new class.

24 I, for one, thought that -- that was an
25 obvious answer because it had been responded to by Mr.

1 Wiens the other day with a very clear yes, that it's --
2 that the establishment of guidelines is -- is an
3 important issue in determining who's going -- who's going
4 to pay what under these new rates.

5 So that was the question I thought you
6 asked Mr. Warden, and I think all of us at the Board
7 couldn't understand why it wasn't just a fairly quick
8 yes, but I think we have -- we have your point and
9 that...

10 MR. JOHN LANDRY: Sorry. Thank you, sir.
11 But -- you know, if -- if -- if I can't get an answer,
12 that's one thing. If I'm not allowed to get -- ask the
13 question, that's another. And I accept your point, but I
14 personally would like to ask a very -- I thought a pretty
15 clear question.

16 In -- let's go to the document that you're
17 asking this Board approve even though we now know that
18 this isn't the document that you're asking to be
19 approved; it's going to be amended. But if you go to
20 MIPUG Exhibit Number 10, Tab 4.

21

22 (BRIEF PAUSE)

23

24 MR. JOHN LANDRY: Actually now that I've
25 had a couple of seconds to think about it, Mr. Warden,

1 while you've been speaking to your counsel, I'm going to
2 go back to the undertaking on the record because the
3 undertaking effectively was as a result of a request from
4 the -- the Chair.

5 And -- and I'm reading from page 2641 if
6 you'd like to bring up the transcript. I can -- I can
7 quote it if -- if that's satisfactory to you, but if it
8 would --

9 MR. VINCE WARDEN: That would be
10 satisfactory --

11 MR. JOHN LANDRY: -- okay.

12 MR. VINCE WARDEN: -- thank you.

13 MR. JOHN LANDRY: It says, and this is
14 the Chair:

15 "Ms. Ramage, does Manitoba Hydro -- are
16 they prepared to take an undertaking to
17 provide their understanding of
18 affiliate relationships pursuant to
19 this particular proposal?"

20 Sir, at a very simple level relative to
21 that undertaking, is the definition that you have
22 provided in Exhibit Manitoba Hydro 76, Manitoba's
23 understanding of affiliate relationships pursuant to the
24 proposal that you've presented to this Board?

25 MR. VINCE WARDEN: Yes.

1 MR. JOHN LANDRY: Manitoba Hydro's
2 understanding. So this is the one (1) -- ths is the one
3 (1) -- this is the definition that you're going to
4 effectively be taking to your various meetings with your
5 -- your clients to determine whether or not corporations
6 have to be aggregated?

7 MR. VINCE WARDEN: Yes.

8 MR. JOHN LANDRY: Sir, and I'm not being
9 flippant here, when I -- when I say this.

10 Let me -- let me finish my question. I'm
11 not being flippant when I say this, but, sir, have you
12 read this definition, and do you understand what it says?

13 THE CHAIRPERSON: That's a bit unfair,
14 Mr. Landry.

15 MR. JOHN LANDRY: I'll -- I'll leave it.

16 THE CHAIRPERSON: They put it on.

17

18 CONTINUED BY MR. JOHN LANDRY

19 MR. JOHN LANDRY: And, sir, when was the
20 first time you became aware that it was the definition
21 under the Income Tax Act that Manitoba Hydro is
22 understanding of the definition of affiliate relative to
23 their proposal?

24 MR. VINCE WARDEN: My understanding of
25 the definition was in response to -- investigating the

1 response to the Chair. Sorry, the question from the
2 Chair.

3 MR. JOHN LANDRY: Thank you. Is it
4 Manitoba Hydro -- oh, sorry, Mr. Warden. Sir, if this is
5 the understanding of affiliate relationships pursuant to
6 your -- to your proposal, is it Mana -- Manitoba Hydro's
7 intention to define this the -- the affiliate in the --
8 in the rate schedule?

9 MR. VINCE WARDEN: No.

10 MR. JOHN LANDRY: Mr. Chair, those are
11 all the questions I have. Thank you.

12 THE CHAIRPERSON: Thank you, Mr. Landry.
13 We'll go back to Ms. McCaffrey now. Ms.
14 McCaffrey...?

15 Have a good trip back, Mr. Landry.

16 MR. JOHN LANDRY: Thank you, sir.

17

18 CONTINUED CROSS-EXAMINATION BY MS. TAMARA MCCAFFREY:

19 MS. TAMARA MCCAFFREY: Just over the
20 break we had a chance to provide that reference with
21 respect to the import gains from the base load forecast
22 that we were referring to in our earlier question. And I
23 understand, Mr. Thomas has had a chance to look at that;
24 that would be -- the reference would be MIPUG Second
25 Round 3E.

1 And you've got it, right -- right, Mr.
2 Thomas?

3 MR. CHIC THOMAS: I do.

4 MS. TAMARA MCCAFFREY: Could you -- could
5 you elaborate now on what that term means for the Board,
6 and then I'll move on to a new area.

7 MR. CHIC THOMAS: Actually, I can kill
8 two (2) birds with one (1) stone here. There was -- and
9 I'll just get that out of the way first -- there was that
10 other one about the Wuskwatim and the Cost of Service
11 undertaking that we were discussing earlier. I -- I
12 can't tell you that both of those are a generation. I
13 believe that was your question.

14 MS. TAMARA MCCAFFREY: Whether northern
15 or the southern part -- northern generation or the
16 southern part of the grid. You're -- you're not sure, is
17 that your...?

18 MR. CHIC THOMAS: Northern.

19 MS. TAMARA MCCAFFREY: Northern, okay,
20 thank you.

21 MR. CHIC THOMAS: And on the matter at
22 hand, the MIPUG Manitoba Hydro's Second Round Number
23 3(e), there is a reference to import gains. Base --
24 basically what that is is making the energy equivalent at
25 generation on both -- on -- on both sides whether we're

1 exporting or importing. In terms of bringing load from
2 the -- from the north, we experience transmission losses.

3 When we're importing, while the opposite
4 happens, the vendor is -- is taking the losses, but we're
5 bringing that up to generation.

6 MS. TAMARA MCCAFFREY: Thank you for that
7 clarification, sir. With respect to your rate proposal
8 and this notion of retained earnings deficiency, I want
9 to talk to you now a little about that.

10 Manitoba Hydro, we know, is proposing a
11 2.9 percent across-the-board rate increase, not a rate
12 increase differentiated by class, correct?

13 MR. CHIC THOMAS: That's right.

14 MS. TAMARA MCCAFFREY: Which is different
15 from what Manitoba Hydro traditionally had done in the
16 past prior to the change to the -- to the cost of
17 service.

18 You'd agree with that?

19 MR. CHIC THOMAS: Yes.

20 MS. TAMARA MCCAFFREY: Now, I want to
21 explore the three (3) reasons that you've given as to why
22 you're applying for an across-the-board rate increase in
23 this application as opposed to differential rate
24 increases according to class, okay?

25 Now, the first reason I believe that Hydro

1 stated is that when they're looking at the deficiency in
2 reserves on a pre-export basis, there's no class that's
3 paying its full cost of service. We've heard Hydro say
4 that throughout the proceedings.

5 MR. CHIC THOMAS: Yes.

6 MS. TAMARA MCCAFFREY: The second reason
7 given, as I understand it, is that, in your words, Hydro
8 stated that the Board's indicated it wants to consider a
9 marginal cost perspective and that would lead to a
10 different rate proposals and a purely embedded cost base
11 kind of perspective?

12 MR. CHIC THOMAS: Yes.

13 MS. TAMARA MCCAFFREY: And your final
14 reason that Hydro's put forward is that although it
15 believes that the PCOSS '08 is compliant with the
16 directives in Order 117/'06, Hydro's indicated that this
17 Cost of Service Study has not been tested.

18 MR. CHIC THOMAS: That's fair.

19 MS. TAMARA MCCAFFREY: So can I take from
20 that that you don't want to seek rate approval based on
21 an untested concept? You think that's premature?

22 Is that your position?

23 MR. CHIC THOMAS: Yes.

24 MS. TAMARA MCCAFFREY: And I'm going to
25 explore that with you in a little bit more depth, but

1 let's go through each of these factors.

2 And for starters on the retained earnings
3 deficiency, you provided a table in the PCOSS '08 that
4 illustrates this, and I found that on page 3 of your
5 perspective Cost of Service Study.

6 MR. CHIC THOMAS: I have the table here,
7 yes.

8 MS. TAMARA MCCAFFREY: Just -- you have
9 gone through this already in other -- earlier in the
10 proceeding with other counsel, but these revenue-to-cost
11 ratios are attempting to show the situation where the
12 deficiency from the seventy-five/twenty-five (75/25)
13 debt/equity target as of March 31st, 2008 is reflected as
14 a cost.

15 Is that -- is that correct?

16 MR. CHIC THOMAS: That would be fair.

17 MS. TAMARA MCCAFFREY: Can you confirm
18 that Manitoba Hydro is not applying for rates that would
19 achieve a seventy-five/twenty-five (75/25) debt/equity
20 ratio?

21 MR. VINCE WARDEN: Not immediately, Ms.
22 McCaffrey, but we certainly will be over time.

23 MS. TAMARA MCCAFFREY: Well, Mr. Warden,
24 but you know you and I chatted about this before, and
25 you'll agree with me that your IFF does not achieve a

1 seventy-five/twenty-five (75/25) debt/equity ratio by
2 2011/'12 or indeed at any point in the forecast period
3 also, correct?

4 MR. VINCE WARDEN: We did chat about
5 that, and the forecast is based on assumption of water
6 flows. We still have though, as you know, retained
7 2011/'12 for the achievement of the seventy-five/twenty-
8 five (75/25) debt/equity target.

9 MS. TAMARA MCCAFFREY: You've said that
10 repeatedly, but your IFF doesn't -- doesn't get you
11 there, correct?

12 MR. VINCE WARDEN: Target is still -- is
13 '11/'12 and as I've indicated many times, water
14 conditions can have a dramatic impact as we're seeing
15 this very year how much better our for -- our results are
16 than our financial forecast.

17 MS. TAMARA MCCAFFREY: Yeah, you --

18 MR. VINCE WARDEN: Hence the reason --
19 that -- and that's the reason why we've left the target
20 at seventy-five/twenty-five (75/25).

21 MS. TAMARA MCCAFFREY: And your position
22 --

23 MR. VINCE WARDEN: Or in 2011/'12, sorry.

24 MS. TAMARA MCCAFFREY: I don't mean to
25 interrupt you, but your position is on the record but

1 it's not responsive to -- to my question because I'm --
2 I'm actually talking about the IFF at the moment. So you
3 may be anticipating that I'm going in a particular way,
4 but I'm really just trying to have a conversation as to
5 what flows from the IFF so --

6 MR. VINCE WARDEN: I just wanted to make
7 it clear that the only reason we aren't applying for the
8 30 percent rate increase to -- to achieve the seventy-
9 five/twenty-five (75/25) debt/equity ratio immediately is
10 because of customer sensitivity and that we have decided
11 to spread that rate increase over a number of years, but
12 we still have that deficiency. That deficiency is a
13 reality.

14 MS. TAMARA MCCAFFREY: Let me -- let me
15 try it this way. If the rate increases and costs unfold
16 as they're shown in the IFF '07, which is the -- before
17 the Board for their consideration in this proceeding and
18 presumably not meaningless, I would think -- would you --
19 would you agree with me with that?

20 It is something we're supposed to be
21 looking at?

22 MR. VINCE WARDEN: Well, the -- the
23 forecast is -- is our -- our best estimate of the future
24 at a point in time, but we -- we all recognize that that
25 forecast -- the actual results will differ from that

1 forecast.

2 MS. TAMARA MCCAFFREY: And if they differ
3 and you come back before the Board, then we'll look at
4 what's there, but for the purposes of -- of this
5 proceeding we're looking at the IFF '07.

6 And if the rate increases and costs unfold
7 as they're shown in that IFF, Manitoba Hydro will have a
8 retained earnings deficiency for as far out in the future
9 as is forecast.

10 MR. VINCE WARDEN: That's what shown in
11 the forecast, yes.

12 MS. TAMARA MCCAFFREY: Now does this mean
13 that Manitoba Hydro is planning to apply for only across-
14 the-board increases for at least the next ten (10) years,
15 because that's what seems to be shown on the forecast as
16 well.

17 MR. VINCE WARDEN: Not necessarily. A
18 determination was to apply across-the-board for this rate
19 increase only. Well, the Board of Manitoba Hydro will
20 make a determination when we come back before this Board.

21 MS. TAMARA MCCAFFREY: So you're not
22 telling us that you're going to come back before this
23 Board using the Cost of Service Study for differential
24 rate increases at the next rate application then, are
25 you?

1 MR. VINCE WARDEN: Again, not
2 necessarily, but we very well could. I think, as Mr.
3 Wiens has pointed out in his testimony, there are a
4 number of reasons why it was prudent for us to come with
5 an -- an across-the-board request proposal at this -- at
6 this proceeding.

7 MS. TAMARA MCCAFFREY: Well, I'm trying
8 to explore that -- that argument with you now. How much
9 does it cost Manitoba Hydro to run a Cost of Service
10 Study?

11 Can anyone give us a figure?

12 MR. CHIC THOMAS: I guess on a very high
13 level there's myself and four (4) other individuals that
14 collectively prepare it. We usually start some time in
15 the summer time and continue on in what was in the past a
16 normal course of events culminating in an application to
17 this Board some time in the late fall.

18 MS. TAMARA MCCAFFREY: So it -- it's a
19 fairly labour intensive exercise, I take it.

20 MR. CHIC THOMAS: Yes.

21 MS. TAMARA MCCAFFREY: And with respect
22 to the 2006 Cost of Service hearing, there was an
23 interrogatory on that, and I believe your response to
24 MIPUG Manitoba Hydro 23(g) was that it -- the cost of
25 that hearing was 1.282 million according to Hydro.

1 Does that sound right?

2 MR. CHIC THOMAS: Well, I -- I believe
3 you're talking about the cost of the hearing. You were
4 asking me what it cost to prepare a Cost of Service
5 Study.

6 MS. TAMARA MCCAFFREY: Well, yeah,
7 they're two (2) different questions.

8 MR. CHIC THOMAS: Yes, that sounds about
9 right.

10 MS. TAMARA MCCAFFREY: But the common
11 theme being that a lot of money and time has been
12 invested in developing a Cost of Service Study that's not
13 before the Board in this hearing, and as I understand it
14 from Mr. Warden, may not before the Board on the next
15 hearing.

16 And I'm -- I'm following up on Mr. Peters
17 cross-examination here, we're wondering when we can
18 expect to see this -- this Cost of Service Study come --
19 come back before the Board with respect to the -- what
20 it's purpose is, to allocate costs in a fair manner, and
21 it usually leads to differential rate increases among
22 different classes.

23 MS. PATTI RAMAGE: Ms. McCaffrey, I'm --
24 I'm very confused by the question. There is a Cost of
25 Service before this Board.

1 Could you clarify?

2 MS. TAMARA MCCAFFREY: I -- I must of --
3 I must not have worded it clearly enough, and I -- I
4 apologize. I'll have another go.

5 We're wanting to know -- there is a Cost
6 of Service that's before the Board, but it's not used as
7 the basis for differential rate increases among customer
8 classes. So it's -- it's there, and we're looking at it,
9 but it's not forming the basis of the rate application.
10 Does that help you?

11 We're -- we're wondering at what point are
12 we going to see this Cost of Service back in use as the
13 basis for differential rates?

14 MS. PATTI RAMAGE: I don't think that's a
15 matter for this panel to comment in. That's going to
16 ultimately depend on what the Board's ruling is.

17 MS. TAMARA MCCAFFREY: And -- and perhaps
18 the Board's the best -- the best entity to -- to follow
19 that up.

20 MR. ROBERT MAYER: Well, Ms. -- Ms.
21 McCaffrey, we -- we've had a number -- there's been quite
22 some discussion on this, and to be fair to Manitoba
23 Hydro, they don't know how much we're going to use the
24 Cost of Service Study in coming down with a decision with
25 respect to rates.

1 We've made it fairly clear, and it was
2 made very clear to us throughout that whole Cost of
3 Service hearing that the Cost of Service's one tool which
4 a regulator ought to use in arriving in -- at whatever
5 are just and reasonable rates.

6 We have indicated over the -- over time
7 that we want to look at the sustainability of the rates
8 proposed. We want to look at a number of -- we want to
9 look at marginal cost. We want to look at the
10 possibility of or probability of greenhouse gas taxation
11 or trading or whatever, but we have indicated a number of
12 things.

13 And -- but basically we have said, We will
14 determine what part the Cost of Service Study will play
15 in these proceedings, and I think that's what I heard as
16 an answer from Manitoba Hydro as to why they hadn't come
17 with differential rates at this point.

18 And I think we should also keep the record
19 clear because I listened to Mr. Landry for a bit to make
20 sure the record is clear. This is not a straight across-
21 the-board hearing. We do have one exception and that is
22 roadway and area lighting.

23 THE CHAIRPERSON: In Manitoba Hydro's
24 application.

25

1 CONTINUED BY MS. TAMARA MCCAFFREY:

2 MS. TAMARA MCCAFFREY: I thank you for
3 your comments on that, Vice-Chair Mayer. I -- I -- the
4 perspective I think MIPUG took was that there was a
5 Board-approved Cost of Service methodology and -- and
6 following up on Mr. Peter's questions, counsel's
7 questions to -- to Hydro as to why it wasn't being used
8 in this proceeding, one of the reasons given -- well,
9 there was three reasons given that I'm trying to explore
10 with them.

11 And I'm also interested in knowing when we
12 can, in fact, expect to be back using it again with --
13 for the purpose of setting rates. But I have your
14 comments, and I appreciate them, and in the spirit of
15 that, I'd like to explore the second reason that Hydro
16 stated for applying for an across-the-board rate
17 increase, and that was the Board indicated it wants to
18 consider a marginal cost perspective.

19 By that, are you referring specifically to
20 marginal cost in the context of industrial rates only or
21 what were you referring to when you gave that reason,
22 sir?

23 MR. ROBIN WIENS: We were referring to
24 marginal costs in the context of all classes of service.

25 MS. TAMARA MCCAFFREY: Now in terms of

1 whether that's a barrier or reason for not applying for
2 differential rate increases, my understanding is, sir,
3 that Hydro could propose rate designs such as the two (2)
4 block rate that incorporate marginal cost price signals,
5 even using the current Cost of Service Study.

6 Am I correct on that understanding?

7 MR. ROBIN WIENS: The Board certainly
8 could consider rate proposals designed within the context
9 of the existing embedded cost allocations. My
10 understanding of the Board directive was that they wanted
11 to look at marginal costs not only with respect to rate
12 design but with respect to revenue allocation.

13 And I think you will find that -- I
14 haven't got the precise location -- but I think you'll
15 find that in the Board's order.

16 MS. TAMARA MCCAFFREY: So you're waiting
17 to hear more from -- from the Board is what I'm hearing
18 from you.

19 MR. ROBIN WIENS: Yes, Ms. McCaffrey,
20 we're waiting to hear more from the Board on this because
21 while the Board has said they want to consider marginal
22 costs and they want to consider environmental costs among
23 other items. They want to consider revenue cost coverage
24 ratios before allocation of export revenue as well as
25 after allocation of export revenue.

1 The Board has given us that indication.
2 What they have not told us is the degree to which those
3 various representations of revenue and cost would be
4 weighted. And in that context we felt it was quite
5 prudent to propose again an across-the-board rate
6 increase for the individual domestic classes of service,
7 with the exception of area and roadway lighting.

8

9 (BRIEF PAUSE)

10

11 MS. TAMARA MCCAFFREY: Are you saying
12 that Hydro may be proposing to use a marginal cost-based
13 cost of service study?

14 Is that something that you're considering
15 or...?

16 MR. ROBIN WIENS: Well, what I'm saying
17 is we've provided that type of information, and we put it
18 before the Board and Intervenors in this Hearing. And we
19 don't know what weight it's going to be given. We
20 haven't proposed -- we haven't proposed specifically to
21 apply a marginal cost-based cost of service study. For
22 all we know, that could be an outcome, but we don't
23 prejudge that outcome.

24 MS. TAMARA MCCAFFREY: So when you talk
25 about that the Cost of Service Study has not been tested

1 at this -- at this point, the aspects of the Cost of
2 Service Study that you're referring what -- what aspects
3 of the Cost of Service Study do you specifically believe
4 need to be tested before it can be used to justify?

5 I'm just trying to understand what your
6 position is there.

7 MR. ROBIN WIENS: Well, we've been
8 through this now a couple of times in the course of this
9 proceeding, that the Board directed Manitoba Hydro to
10 make a number of changes. And we can review them
11 individually if -- if you would like, with respect to
12 representing its Cost of Service Study.

13 We have had -- we've had loads of
14 Information Requests on -- on the material that we've
15 provided, but we have not yet received direction with
16 respect to each and every one of those specific changes
17 that the Board directed.

18

19 (BRIEF PAUSE)

20

21 MS. TAMARA MCCAFFREY: Are you referring
22 to all the changes that were directed, or are you
23 referring to the three (3) highlights that -- that Mr.
24 Thomas referred to in his direct evidence?

25 MR. ROBIN WIENS: I think the -- I -- I -

1 - no, I can't -- I can't second guess the Board. But
2 presumably there was some understanding directionally of
3 what the -- the Board order would -- would result in the
4 Cost of Service Study, and the Board had some strong
5 reasons that it gave in its order.

6 But nobody has gone through and seen how
7 that has affected the Cost of Service Study and said,
8 Yes, I'm satisfied with that. I'm prepared to sign off
9 on that. That's the correct way to do things.

10 MS. TAMARA MCCAFFREY: Is it your -- is
11 it your understanding that -- that each of these elements
12 are being tested currently in this proceeding?

13 Or is this going to take place in a -- in
14 the future?

15 MR. ROBIN WIENS: I'm hopeful that
16 they're being tested in this proceeding. You know, just
17 -- just by way of -- of concluding my comment on this, I
18 could refer you to page 5 of Board Order 117/'06, about a
19 third of the way down the page just before the -- the
20 three (3) bullet point. And it says:

21 "By this Order the Board approves
22 Manitoba Hydro's recommended cost of
23 service methodology, subject to a
24 number of important amendments to be
25 modeled by Manitoba Hydro prior to the

1 Board confirming its direction,
2 including..."

3 And then it goes on to review those
4 important amendments.

5 MS. TAMARA MCCAFFREY: Okay. Thank you
6 very much, sir, for helping me understand your position
7 with -- with respect to that.

8 I want to move to the winter ratchet. And
9 you've already commented with respect to winter ratchet.
10 There's a -- a good description of it on the record
11 through your examination by Mr. Peters. I won't have you
12 repeat it.

13 But I want to talk to you specifically
14 about industrial class. And I'm going to put to you if a
15 customer could tell you in advance of an industrial
16 shutdown for maintenance, could you exempt them from the
17 ratchet for that billing pili -- period or sell the power
18 -- to sell the power on the export market?

19 Specifically it's the summer. It's your
20 prime time to sell to the export market. And you have an
21 industrial customer give you a call, maybe a month in
22 advance, two (2) weeks in advance, whatever, a couple of
23 months in advance and say, You know what? We're going to
24 shut down in July, so our usage is going to drop way
25 down.

1 commitments, in terms of firm, short-term power sales in
2 the summer. So we've been reluctant to follow that up.

3 In some -- in some years, no doubt about
4 it, a decision like that could provide benefits to both
5 parties, but not in all years. I -- I do recall that we
6 even did at one point -- and -- and I won't be able to
7 produce this here, but just -- just in the spirit of this
8 discussion -- looked at three (3) years running for
9 something along these lines.

10 And we found that in one (1) of the years
11 it -- it was marginally beneficial, and in the other two
12 (2) years it wasn't. So we stopped exploring that some
13 time ago, actually.

14 MS. TAMARA MCCAFFREY: In terms of what
15 you just said about you -- you've heard about a plant
16 shutdown, so to speak, after you've already made your
17 firm commitments for sales in the summer.

18 Is there a certain time by which if you
19 have that information available, it might be more -- more
20 useful?

21 And -- and -- and would it be something
22 that you would be willing to explore again with
23 customers?

24 MR. ROBIN WIENS: Well, the greater the
25 certainty we have, of course, the -- typically, the more

1 value can be obtained out of that.

2 If we -- if we knew, for example, on an
3 ongoing basis that a customer was going to shut down
4 every year for the months of June, July and August,
5 that's probably a scenario that we could look at and work
6 with.

7 If -- if we knew that the customer was
8 going to do that in one (1) year but there was
9 uncertainty, there -- there may be the possibility. But,
10 you know, as you shrink the window of -- of time that
11 that energy is going to be available and the -- and the
12 notification that Manitoba Hydro receives and the
13 permanence of it, you're lowering the value of it.

14 MS. TAMARA MCCAFFREY: Thank you for that
15 thoughtful answer, Mr. Wiens. I'm going to take you to
16 another area now, and --

17 MR. ROBERT MAYER: Just -- just before
18 you do, because this is starting to sound familiar to me.

19 I know that for a number of year Inco shut
20 down on a regular basis. They almost went -- for a
21 vacation shutdown, usually around eight (8) weeks during
22 the summer months, for which they had to give their
23 employees notice under the Employment Standards Act,
24 because some of them were going to be laid off over that
25 period of time.

1 And I think that notice was significant.
2 I -- I think we knew in February, for example, if there
3 was going to be a July shutdown.

4 Is that kind of information -- is that
5 sufficient length of time with a clear -- very clear
6 definition of how long a shutdown is going to be for?

7 Is that kind of notice useful?

8 MR. ROBIN WIENS: Well, that's -- that's
9 of the type we're talking about, but to have any kind of
10 certainty here, you know, I need to go back and discuss,
11 and we need to go back and discuss with our colleagues
12 precisely what types of conditions would work for this.
13 Whether that would be one of them or not, I -- I can't
14 say here.

15 But that is the type of idea. If you --
16 if you get enough notice, I think probably, subject to
17 check, that most of those short-term sales have been made
18 before February. But I can't confirm that.

19

20 CONTINUED BY MS. TAMARA MCCAFFREY:

21 MS. TAMARA MCCAFFREY: Thank you, sir.
22 Moving on to non-utility generation now.

23 Is it correct, sir, that it's part of
24 Manitoba Hydro's NUG policy that customers must displace
25 their own load before they can sell to Hydro at marginal

1 price?

2 Is that right?

3 MR. ROBIN WIENS: Yes.

4 MS. TAMARA MCCAFFREY: And we've already
5 talked about marginal price being the -- the type of
6 price that wind turbines get, for example?

7

8 (BRIEF PAUSE)

9

10 MR. ROBIN WIENS: I'm not party to how
11 those prices were determined, Ms. McCaffrey. I -- I
12 believe it is, but I don't have certainty on that.

13 MS. TAMARA MCCAFFREY: I just think at a
14 general level we've talked about marginal rates being
15 used for -- for wind. I think Mr. Surminski can probably
16 confirm that.

17 Am I right, sir?

18 MR. HAROLD SURMINSKI: Yes, they're --
19 the marginal costs are used as a guide, and it was
20 negotiations after that.

21

22 (BRIEF PAUSE)

23

24 MS. TAMARA MCCAFFREY: Now, sir, as I
25 understand it, for wind we talked about a marginal rate.

1 If you're a -- a Hydro customer, however,
2 with the ability to have a biomass plant, they're going
3 to be getting the domestic rate though on the NUG, based
4 on Manitoba Hydro's policy.

5 Is that right?

6 MR. ROBIN WIENS: Based on displacing
7 their own.

8 MS. TAMARA MCCAFFREY: Based on that?

9 MR. ROBIN WIENS: Yes.

10

11 (BRIEF PAUSE)

12

13 MS. TAMARA MCCAFFREY: So I'm just sort
14 of trying to explore that, in terms of -- of a -- of a
15 fairness concept.

16 And if I give you an analogy, say right
17 across the street from your Hydro customer we set up a
18 separate corporation that builds a biomass plant -- same
19 woodchips.

20 But because they're not displaced in their
21 own generation, not a Hydro customer, they could sell it
22 and get the better price. I

23 s that -- would that be fair to say, sir?
24 That's a practical result of that policy?

25

1 (BRIEF PAUSE)

2

3 MR. ROBIN WIENS: What we're trying to
4 achieve with this policy, Ms. McCaffrey, is that we're
5 not -- we want customer -- we don't want customers to be
6 arbitraging Manitoba Hydro's power.

7 MS. TAMARA MCCAFFREY: Right, but was the
8 answer to --

9 MR. ROBIN WIENS: You know, buying --

10 MS. TAMARA MCCAFFREY: -- my question
11 yes?

12 MR. ROBIN WIENS: -- buying at embedded
13 cost rates and selling back to Manitoba Hydro at marginal
14 cost rates.

15 So the answer to your question is -- I'm -
16 - I'm not sure I can give you a clear answer to your
17 question, because we'd probably have to make a number of
18 assumptions about the relationship of the party that was
19 providing -- that was selling the energy and -- and the
20 party that was buying it.

21 So if it was -- if we were talking about a
22 party that was strictly selling power to Manitoba Hydro,
23 that's something that could be investigated. That --
24 that yes, the -- they -- we might be willing to purchase
25 that from them, in effect, as -- as willing to the export

1 market. But we're not anxious -- we're not anxious to
2 have our customers arbitrage our power.

3 MS. TAMARA MCCAFFREY: Define
4 "arbitrage."

5 MR. ROBIN WIENS: Buy low, sell high.

6 MS. TAMARA MCCAFFREY: Thank you. A more
7 succinct definition, I have never heard. Let me -- let
8 me put it to you this way though.

9 If I'm a wind generator and I'm evaluating
10 the economies of a NUG project, I'm looking in the -- at
11 the sake -- to the sake of simplicity -- the six (6) cent
12 per kilowatt hour box.

13 If I'm an existing customer looking at
14 economies of developing, for example, a biomass project,
15 something that can -- their own generation -- I'm in the,
16 you know, the two (2) or three (3) cent per kilowatt hour
17 box.

18 But if I could -- if I could get a better
19 price for that power, say something even still less than
20 -- than marginal price -- but maybe five (5) cents, five
21 and a half (5 1/2), four and a half (4 1/2) -- I might
22 have a greater incentive to develop that type of
23 generation, wouldn't I?

24 MR. ROBIN WIENS: I accept that.

25 MR. ROBERT MAYER: Might be a good plan

1 for somebody who falls into the new rate to look at.

2 MR. ROBIN WIENS: Might well be.

3 MS. SUSAN PROVEN: Just -- just go past
4 that. There were two (2), weren't there, out individuals
5 -- now, I'm talking residential or whatever -- that
6 actually had a wind turbine, and they were producing
7 power. I read that in the materials somewhere, but I
8 can't locate it.

9 And those people were able to put it into
10 your grid and then they received compensation, right, for
11 the amount that they fed in? These were two (2)
12 individual wind producers. They weren't big companies.

13 MR. ROBIN WIENS: These are small
14 residential, as I understand it, and I believe the
15 situation with those customers is it's net metering. So
16 it's basically the same thing as I'm discussing with Ms.
17 -- Ms. McCaffrey, except because they're residential,
18 their runoff rate is in the order of five and a half (5
19 1/2), five and three quarter (5 3/4) cents because
20 they're residential.

21 MS. SUSAN PROVEN: So when I heard Glenn
22 Schneider, I think it was last week, on the radio talking
23 about the economic logistics of this, he sort of summed
24 it up as saying it wasn't that worthwhile because
25 obviously it would take quite a bit of economic input to

1 build this thing, even though it's a small household
2 version.

3 Would that be the case, that there
4 wouldn't be much return, given that the power isn't
5 worth, as Ms. McCaffrey said, much more than the three
6 (3) cents?

7 Is it -- is that how it shakes down?

8 MR. ROBIN WIENS: Well, this is -- this
9 is a residential application. And as I understand it,
10 sometimes that customer is drawing power from Manitoba
11 Hydro, and sometimes they're putting power back into the
12 grid. And what we do is we net meter that customer. I
13 believe most of the time the customer is on a net monthly
14 basis drawing power from Manitoba Hydro, but they're
15 drawing less than they would have if they hadn't had the
16 wind.

17 So they are simply net metered, and the
18 runoff rate is effectively the rate -- the residential
19 runoff rate is effectively the rate that they get for
20 generating that energy, which today is in the order of
21 five (5), five point seven (5.7), five point eight (5.8)
22 cents a kilowatt hour.

23 MR. HAROLD SURMINSKI: Addressing your
24 question on cost, I think you were getting at the cost of
25 generating this. It's -- it's very high. On a unit

1 basis, it's almost like five (5) times as much.

2 MS. SUSAN PROVEN: Thank you.

3

4 CONTINUED BY MS. TAMARA MCCAFFREY:

5 MS. TAMARA MCCAFFREY: Just as a follow-
6 up to that, sir, would biomass -- would a biomass NUG be
7 dependable energy?

8 Mr. Surminski...?

9 MR. HAROLD SURMINSKI: Yes, if -- if
10 there was a stable supply and you could guarantee a
11 certain quantity of energy over a time period of a year,
12 say.

13 MS. SUSAN PROVEN: And as a follow-up to
14 the Vice-Chair's point, with respect to industrial rates,
15 are you aware that the BC Hydro rate design would allow
16 that, would allow the -- the NUG customer to -- to get
17 the marginal rate on that -- on that 10 percent --

18 MR. ROBIN WIENS: Yes, I am.

19

20 CONTINUED BY MS. TAMARA MCCAFFREY:

21 MS. TAMARA MCCAFFREY: So there is an
22 industrial rate design that -- that could address this
23 issue?

24 MR. ROBIN WIENS: Yes, there is.

25 MS. TAMARA MCCAFFREY: Thank you.

1 MS. SUSAN PROVEN: And maybe we could
2 hear a -- more. There was a project, an agricultural
3 project, that Hydro took part in that involved biomass, I
4 think. But it was touched on briefly, and we didn't hear
5 too much about the results.

6 This was a combination of plant and animal
7 waste, and you were involved, right? Do -- do you have
8 any results on that that I'm referring to?

9 I -- I can't remember where it was. I --
10 I want to say Portage la Prairie, because I think there
11 was human waste as well. But I -- I could be wrong, and
12 by that I mean sewage.

13

14 (BRIEF PAUSE)

15

16 MR. ROBIN WIENS: Ms. Proven, there's --
17 there's nobody on this panel that has any direct
18 familiarity with this. We could certainly go back and
19 get some information on it. We -- we're hearing a little
20 bit that this -- this application is addressing mainly
21 processed heat rather than electricity, but if it were
22 important, we can certainly go back and get some
23 additional information on it.

24 MS. SUSAN PROVEN: I think it was heat, a
25 heat -- yeah, so that's okay. But it just interests me

1 that there's a lot of exploration of these new concepts
2 going on, and sometimes it would be interesting to hear
3 more about them.

4

5 CONTINUED BY MS. TAMARA MCCAFFREY:

6 MS. TAMARA MCCAFFREY: Thank you very
7 much. I think we'll move now to the Surplus Energy
8 Program.

9 We know that Hydro's applying for final
10 approval to extend the Surplus Energy Program to March
11 31st, 2013, correct, Mr. Wiens?

12 MR. ROBIN WIENS: Yes.

13 MS. TAMARA MCCAFFREY: For the sake of
14 everyone in the room, could you briefly give us an
15 overview of the purpose of the Surplus Energy Program and
16 how Hydro benefits it and also how Hydro's customers
17 benefit from it?

18 MR. ROBIN WIENS: Well, the rate is
19 designed to be revenue neutral. So I would say there is
20 not a significant financial benefit to Manitoba Hydro
21 from offering this rate.

22 But there are customers on Manitoba
23 Hydro's system that the experience we've gained is that
24 there are not all that many of them, but there are some,
25 who can or are able to benefit from purchasing surplus

1 energy at times when it is below the cost of their
2 operating and alternative fuel and who have enough backup
3 that in the event that surplus energy is interrupted for
4 whatever reason that it would not cause them to have to
5 cease operations.

6 There was -- there was a time back in the
7 history of this rate and its predecessors where the rate
8 was at or below the average energy rate to domestic
9 customers in Manitoba. But the rate had always been
10 designed in effect that it takes -- it makes Manitoba
11 Hydro's short-term marginal source of generation
12 available to those customers who can use it at a price
13 that compensates Manitoba Hydro for it.

14 So if it's displacing an export sale, it
15 will -- the customer will be able to purchase it for the
16 amount of revenue that Hydro would have otherwise
17 obtained in the export market. Or alternatively, it may
18 require imports. So the customer will compensate
19 Manitoba Hydro for the import costs, and the same with
20 thermal.

21 The current version of it, which we've had
22 in place since at least back into the late '90s and maybe
23 -- maybe further back, is that we have a time of use
24 structure, which is in -- into three (3) time periods:
25 peak -- peak hours, shoulder hours, and off-peak hours;

1 with the peak hours being the high-load hours of the day,
2 which would be noon until 8:00 p.m. in the summer time,
3 and in the winter time would be the two (2) discrete
4 periods of 7:00 to 11:00 a.m. and 4:00 to 8:00 p.m., when
5 the winter peaks typically occur; the off-peak hours
6 being 11:00 p.m. to 7:00 a.m. every day; and the shoulder
7 hours being the remaining hours.

8 The customers are advised of the price
9 which this Board approves on a weekly basis. They're
10 advised of the price on -- I believe it's Wednesday or
11 Thursday of the week preceding the week that they would
12 be taking the energy. And they'd begin taking the energy
13 on Sunday of the following week. And those prices are
14 good for a week. And the following week they receive new
15 price information.

16 Does that take you where you want to go?

17 MS. TAMARA MCCAFFREY: Absolutely, it's
18 actually taking me right -- right through where I wanted
19 to go.

20 Just to sum up though, in some periods --
21 the rates are approved for three (3) periods -- that's --
22 that's what you're telling us -- peak, off-peak, and --
23 and shoulder, essentially?

24 MR. ROBIN WIENS: Yes, they are.

25 MS. TAMARA MCCAFFREY: And this has taken

1 place sort of the week before, is that right, on a weekly
2 basis?

3 MR. ROBIN WIENS: Manitoba Hydro
4 estimates what the short-term value in each of those
5 three (3) periods is going to be in the following week.
6 We fax that information to the Board, and the Board
7 approves it, usually. Of course, it is an interim
8 approval, and it's subject to review.

9 MS. TAMARA MCCAFFREY: I -- I have a
10 couple of follow-up questions on that.

11 But in some periods the SEP rates are
12 substantially below the firm rates for the customer,
13 correct?

14 MR. ROBIN WIENS: I don't have the record
15 in front of me, but I think that's true, yeah.

16 MS. TAMARA MCCAFFREY: And also in other
17 periods, particularly in peak period, the rates might be
18 above what the firm rates would be for the customer.

19 Is that fair?

20 MR. ROBIN WIENS: Yes.

21 MS. TAMARA MCCAFFREY: Can you tell us
22 how you determine the rates that you're going to take
23 before the Public Utilities Board with respect to these
24 on a weekly basis?

25 MR. ROBIN WIENS: Our system operating

1 people who are responsible for selling in the short-term
2 market basically give us their market outlook. And we --
3 we that's what we fax to the Public Utilities Board for
4 approval. We also do a retrospective review to see how
5 close we were.

6 MS. TAMARA MCCAFFREY: And how do you
7 determine the amount of energy that's going to be subject
8 to the SEP?

9 Is it the same amount of energy every
10 week, or does it vary depending on some other factors?

11 MR. ROBIN WIENS: Given the customer mix
12 that we have today, the customer simply receives the
13 price and makes a decision as to how much energy they're
14 going to use. There's no limit on it, if that's what
15 you're asking.

16 MS. TAMARA MCCAFFREY: That's what I was
17 trying to determine. Thank you.

18 In Manitoba Hydro's experience, when the
19 SEP price exceeds the firm rate, for example, in low
20 water conditions, for example, when that might occur, how
21 do Manitoba customers respond?

22 Do they buy more or less or they don't
23 touch it?

24

25

(BRIEF PAUSE)

1 MR. ROBIN WIENS: My review of the price
2 information and the consumption information is that there
3 is a relationship between whether -- the -- between the
4 price and the amount the customers take. I can't put
5 anything precise on the record today.

6 MS. TAMARA MCCAFFREY: It's --

7 MR. ROBIN WIENS: And that's -- and
8 that's certainly the intent of the rate. The intent of
9 the rate is the customer has an alternative. And, you
10 know, whether that alternative is equal to the firm price
11 of electricity or something else, presumably the rational
12 customer is going to evaluate those prices and say, Okay,
13 I can operate on propane for less than that, and so I'm
14 not going to take any energy. But that's completely at
15 the customer's discretion.

16

17 (BRIEF PAUSE)

18

19 MS. TAMARA MCCAFFREY: I'm just noting
20 the time, and I -- I don't really have anything further
21 with respect to this area. I can move to another area,
22 though it's getting close to 4:00.

23 I anticipate tomorrow morning being able
24 to finish perhaps in an hour, if that's acceptable to the
25 Board.

1 THE CHAIRPERSON: I think that is fine.

2 MS. TAMARA MCCAFFREY: Would you like me
3 to leave it now, or do you want me to start another area?
4 I'm at the Board's pleasure.

5 THE CHAIRPERSON: No, I think we will
6 start it again at 9:00. Thank you.

7 MS. TAMARA MCCAFFREY: Okay. Thank you.

8 THE CHAIRPERSON: Thank you.

9 MS. TAMARA MCCAFFREY: Thank you.

10

11 (WITNESSES RETIRE)

12

13 --- Upon adjourning at 3:57 p.m.

14

15

16

17 Certified correct,

18

19

20

21

22 Cheryl Lavigne

23

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