

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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
March 27th, 2008
Pages 1725 to 1947

APPEARANCES

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

| | TABLE OF CONTENTS | |
|----|---|----------|
| | | PAGE NO. |
| 1 | | |
| 2 | | |
| 3 | List of Exhibits | 1728 |
| 4 | Undertakings | 1729 |
| 5 | MANITOBA HYDRO REVENUE REQUIREMENT AND DEMAND SIDE | |
| 6 | MANAGEMENT PANEL RESUMED: | |
| 7 | VINCE WARDEN, Resumed | |
| 8 | WILLY DERKSEN, Resumed | |
| 9 | IAN PAGE, Resumed | |
| 10 | HAROLD SURMINSKI, Resumed | |
| 11 | LLOYD KUCZEK, Resumed | |
| 12 | | |
| 13 | Continued Re-Cross-Examination by Mr. Byron Williams | 1734 |
| 14 | Re-Cross-Examination by Ms. Tamara McCaffrey | 1776 |
| 15 | Re-Re-Cross-Examination by Mr. Byron Williams | 1782 |
| 16 | Re-Direct Examination by Ms. Patti Ramage | 1788 |
| 17 | | |
| 18 | MANITOBA HYDRO COST OF SERVICE AND RATE DESIGN PANEL: | |
| 19 | KURT ROBIN WIENS, Sworn | |
| 20 | CHIC THOMAS, Sworn | |
| 21 | VINCE WARDEN, Resumed | |
| 22 | HAROLD SURMINSKI, Resumed | |
| 23 | Examination-In-Chief by Ms. Patti Ramage | 1793 |
| 24 | Cross-Examination by Mr. Bob Peters | 1806 |
| 25 | Certificate of Transcript | 1947 |

| 1 | LIST OF EXHIBITS | | |
|----|------------------|----------------------------|----------|
| 2 | EXHIBIT NO. | DESCRIPTION | PAGE NO. |
| 3 | MH-46 | Response to Undertaking 41 | 1732 |
| 4 | MH-47 | Response to Undertaking 56 | 1947 |
| 5 | MH-48 | Response to Undertaking 57 | 1947 |
| 6 | MH-49 | Response to Undertaking 53 | 1947 |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | | | |
| 23 | | | |
| 24 | | | |
| 25 | | | |

| UNDERTAKINGS | | |
|--------------|---|----------|
| NO. | DESCRIPTION | PAGE NO. |
| 1 | | |
| 2 | | |
| 3 | 60 | |
| 4 | Manitoba Hydro to provide Coalition | |
| 5 | with a further breakdown by business | |
| 6 | unit within power supply | 1757 |
| 7 | | |
| 8 | 61 | |
| 9 | Manitoba Hydro to provide Coalition with | |
| 10 | a breakdown of the fifty (50) positions | |
| 11 | by division in the '07/'08 forecast for | |
| 12 | transmission and distribution | 1757 |
| 13 | | |
| 14 | 62 | |
| 15 | Manitoba Hydro to provide Coalition the | |
| 16 | actual hourly wage rate minimum, and the | |
| 17 | hourly wage rate maximum that was provided | |
| 18 | to the Hay Group regarding field operations | |
| 19 | manager, design engineer, and power line | |
| 20 | maintainer. Also indicate whether or not | |
| 21 | overtime is applicable for these three (3) | |
| 22 | positions | 1771 |
| 23 | | |
| 24 | 63 | |
| 25 | Manitoba Hydro to provide Coalition | |
| 26 | quartile ranking for the tables relating | |
| 27 | to spending per pole kilometre, which | |
| 28 | are Table C3 through C5; tables relating | |
| 29 | to gross asset value, which are Table C6 | |
| 30 | through C8; and tables relating to cost | |
| 31 | per customer, which are Table C12 through | |
| 32 | C14 | 1775 |

| 1 | | UNDERTAKINGS (Con't) | |
|----|-----|---|----------|
| 2 | NO. | DESCRIPTION | PAGE NO. |
| 3 | 64 | Manitoba Hydro to determine for Board | |
| 4 | | the amount of water rental costs deducted | |
| 5 | | and to verify the quantity as well as the | |
| 6 | | rate | 1838 |
| 7 | 65 | Manitoba Hydro to indicate to Coalition | |
| 8 | | why there were changes to peak, off-peak, | |
| 9 | | and shoulder between the prospective Cost | |
| 10 | | of Service Study '08, page 61, and | |
| 11 | | prospective Cost of Service Study '06, | |
| 12 | | page 12 | 1844 |
| 13 | 66 | Manitoba Hydro to provide Board a written | |
| 14 | | breakdown of the \$19.6 million to show | |
| 15 | | what allocations are the generation/ | |
| 16 | | transmission/distribution allocations, | |
| 17 | | as per other classes, and which ones are | |
| 18 | | the ones that stick out differently for | |
| 19 | | roadway and area lighting | 1918 |
| 20 | | | |
| 21 | | | |
| 22 | | | |
| 23 | | | |
| 24 | | | |
| 25 | | | |

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

2

3 THE CHAIRPERSON: Okay, good morning,
4 everyone. Welcome back. I imagine the frozen weather
5 continues to please Manitoba Hydro with the slow melt.
6 It's not exactly pleasing to anyone else.

7 But, Mr. Peters, do you want to begin?

8 MR. BOB PETERS: Thank you, Mr. Chairman.
9 I think this morning Manitoba Hydro has, I believe, one
10 (1) additional undertaking, which is numbered 41, to be
11 given Exhibit Number Manitoba Hydro-46, to be provided to
12 the parties dealing with OM&A expenses.

13 And if that's acceptable to the Board then
14 the next matter of business will be for Mr. Williams to
15 ask his questions of the revenue requirement and DSM
16 panel, based on the exhibits and undertakings that have
17 been provided.

18 I'm not sure, after Mr. Williams -- I
19 haven't canvassed my colleagues to see whether they have
20 questions as well. But after Mr. Williams is finished I
21 would suggest the Board just canvass the other counsel to
22 see if there are further questions before this panel is
23 dismissed.

24 THE CHAIRPERSON: Thank you, Mr. Peters.
25 The exhibit is fine.

1

2 --- EXHIBIT NO. MH-46: Response to Undertaking 41

3

4 THE CHAIRPERSON: So, Ms. Ramage, did you
5 want to say anything about it or is that sufficient?

6 MS. PATTI RAMAGE: No I would -- I would
7 note for the record that that brings us up to date in
8 exhibits up to when Mr. Anderson began his cross-
9 examination, just so that we know where we are in terms
10 of what's still to come.

11 THE CHAIRPERSON: Very good, thank you
12 for the effort.

13 Mr. Williams...?

14 MR. BYRON WILLIAMS: Just on that
15 exhibit, has it been distributed?

16 MR. ROBERT MAYER: I don't have it.

17 MR. BYRON WILLIAMS: I've not seen it,
18 so...

19 THE CHAIRPERSON: Mr. Gaudreau, has it
20 gone around to the Intervenors? Exhibit Number 46?
21 We'll --

22 MS. PATTI RAMAGE: I thought it had, but
23 we will -- oh, here it comes.

24 THE CHAIRPERSON: It's early in the
25 morning.

1 MR. BYRON WILLIAMS: Ms. Fernandes is on
2 top of things, I was not.

3 MS. PATTI RAMAGE: Mr. Williams is a lot
4 like my children.

5 THE CHAIRPERSON: I'm not touching that
6 one.

7 MR. BYRON WILLIAMS: I'm flattered to be
8 compared to Ms. Ramage's children.

9 Mr. Chairman, I am ready to go. My
10 understanding was that Mr. Peters had prepared a thirty
11 (30) minute video montage of the -- the Assiniboine
12 Rangers' triumph in the city hockey championship, so I
13 was prepared to stand down if Mr. Peters -- it's not
14 about you, I understand, Mr. Peters, but is there -- is
15 that ready now, sir?

16 MR. BOB PETERS: The DVD will be for sale
17 in the lobby after the Hearing today.

18

19 MANITOBA HYDRO REVENUE REQUIREMENT AND DEMAND SIDE

20 MANAGEMENT PANEL RESUMED:

21 VINCE WARDEN, Resumed

22 WILLY DERKSEN, Resumed

23 IAN PAGE, Resumed

24 HAROLD SURMINSKI, Resumed

25 LLOYD KUCZEK, Resumed

1

2 CONTINUED CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

3 MR. BYRON WILLIAMS: Mr. Warden, you gave
4 an oral response to Undertaking Number 47 dealing --
5 yesterday.

6 You'll -- you'll recall that, sir? That's
7 dealing with the 30 percent upper limit on the floating
8 debt rate. Does that ring a bell, sir?

9 MR. VINCE WARDEN: Yes, I do recall that.

10 MR. BYRON WILLIAMS: And just as I
11 understand your evidence, the 30 percent upper limit in
12 terms of the floating debt rate is -- you were not able
13 to identify or locate a Board minute, but go -- in
14 discussions with Mr. Brennan going back many, many years
15 to the time when he was Vice-President, he certainly
16 recalled some discussions with the Board in terms of that
17 30 percent upper limit.

18 Is that right, sir?

19 MR. VINCE WARDEN: Yes, going back to
20 when he was the Vice President and also in more recent
21 years.

22 MR. BYRON WILLIAMS: And just -- because
23 I've only been on the scene for twelve (12) or thirteen
24 (13) years with Hydro, in my experience, Mr. Brennan's
25 always been the -- the President.

1 How far back does it go when he was Vice
2 President, sir? About how far back?

3 MR. VINCE WARDEN: Mr. Brennan became
4 President in 1990. Prior to that he was Vice President
5 of Finance for, I think, going by recollection, about
6 five (5) years. But he -- he was in a senior finance
7 position at Manitoba Hydro for many, many years.

8 MR. ROBERT MAYER: Mr. Warden, if I
9 recall correctly, your -- at one (1) point in time you
10 said it has -- this 30 percent number's been around
11 since you've been at Manitoba Hydro.

12 Did I hear that correct?

13 MR. VINCE WARDEN: I don't think I said
14 necessarily it's been around since I've been with
15 Manitoba Hydro, but it's been around for as long as I can
16 -- I can recall. So it goes back into the -- into the
17 1970s for sure.

18

19 CONTINUED BY MR. BYRON WILLIAMS:

20 MR. BYRON WILLIAMS: That's fine, Mr.
21 Warden. I just wanted to follow that up a little bit,
22 but Mr. Mayer has done it for me.

23 Mr. Warden, you'll also -- also recall
24 yesterday a discussion in the context of Bipole 3, both
25 with Mr. Peters and Mr. Mayer, some discussion of

1 regulatory issues and costs and challenges associated
2 with the east side of Lake Winnipeg.

3 Do you remember that? At least some
4 comments regarding that, sir?

5 MR. VINCE WARDEN: Yes.

6 MR. BYRON WILLIAMS: And just -- you'll
7 also recall Mr. Surminski, in the context of transmission
8 lines, I believe in -- in the United States, also talked
9 about siting issues or challenges.

10 Do you -- do you remember that -- that
11 discussion, sir?

12 MR. VINCE WARDEN: I do.

13 MR. BYRON WILLIAMS: And just to assist
14 my clients, I just want to -- in terms of regulatory
15 issues, I wonder if you can help me to understand what
16 some of the regulatory issues or challenges there might
17 be associated with -- with a major transmission line.

18 And I'll -- I'll give you -- I'll go more
19 specific, sir, in a second, but you're prepared to assist
20 me with that, sir?

21 MR. VINCE WARDEN: Probably not the best
22 one to speak to that. There are a number of
23 environmental and other regulatory issues to deal with,
24 but -- so, in a very broad sense we can talk about it.

25 MR. BYRON WILLIAMS: That's fine. This

1 will assist my clients. When you talk about
2 environmental and regulatory issues I just want to get
3 some sense of the type of issues.

4 Presumably there is provincial licensing
5 that may be required when you're looking at a significant
6 transmission line.

7 Is that right, sir?

8 MR. VINCE WARDEN: Yes, there are.

9 MR. BYRON WILLIAMS: And another
10 regulatory issue that may arise would involve, certainly,
11 some one (1) or more Federal departments.

12 Would that be fair?

13 MR. VINCE WARDEN: Yes.

14 MR. BYRON WILLIAMS: You -- you may have
15 some interaction with -- if you're crossing a river or
16 stream, that may -- or there may be some fisheries issues
17 as well, presumably, sir?

18 MR. VINCE WARDEN: Yes.

19 MR. BYRON WILLIAMS: Following through --
20 and just to make sure I understand how the -- the
21 Corporation looks at regulatory issues, certainly -- and
22 I'm not asking for a legal position, but I just want to
23 understand -- you're aware, at a high level, that
24 pursuant to -- to the Constitution Act there's a duty to
25 consult and -- and accommodate with First Nations when

1 activities may impact their treaty or Aboriginal rights?

2 You're aware of that?

3 MR. VINCE WARDEN: Yes, I am.

4 MR. BYRON WILLIAMS: And is that a
5 regulatory or obligation of Manitoba Hydro associated
6 with the transmission line, or would that be something
7 that falls upon the province? I'm trying to understand.

8 And just from a factual point, sir, is
9 Manitoba Hydro involved in kind of consultation and
10 activities associated with transmission lines, or is it
11 the province that bears that -- that obligation?

12 MR. VINCE WARDEN: Manitoba Hydro is very
13 much involved.

14 MR. ROBERT MAYER: But -- but Mr. Wilson
15 -- Mr. -- sorry -- the question you asked is a legal
16 question: Whose responsibility is it to consult pursuant
17 to the Constitution Act?

18 Correct? That's what I -- that's the
19 question I heard.

20 MR. BYRON WILLIAMS: Well, may --

21 MR. ROBERT MAYER: I was surprised Ms.
22 Ramage didn't jump in at that.

23 MR. BYRON WILLIAMS: I -- I think Ms. --
24 Ms. Ramage knew where I was going, which is I'm trying to
25 get a handle on who's bearing the costs and the time

1 obligations --

2 MR. ROBERT MAYER: Oh, okay. Sorry.

3 MR. BYRON WILLIAMS: -- of consulting,
4 and --

5 MS. PATTI RAMAGE: And to be clear, Mr.
6 Warden didn't comment on the obligation. He just
7 commented on Manitoba Hydro's involvement.

8

9 CONTINUED BY MR. BYRON WILLIAMS:

10 MR. BYRON WILLIAMS: Now, so we've talked
11 about regulatory challenge -- or obligations involved
12 with the provincial government, involved with the Federal
13 government and also Hydro's certainly involved in
14 interactions with the -- with First Nations as well.

15 Is that fair, sir?

16 MR. VINCE WARDEN: Yes.

17 MR. BYRON WILLIAMS: And when I look at
18 regulatory costs or issues, are there any other big --
19 big ones that I'm missing besides those three (3)?

20

21 (BRIEF PAUSE)

22

23 MR. VINCE WARDEN: Well, I think
24 consultations with -- with property owners is certainly
25 another -- another big one that would result in -- in

1 incurrence of cost to Manitoba Hydro.

2 MR. BYRON WILLIAMS: And -- and you
3 mentioned -- and thank you for that. That was -- I was
4 going to kind of get to that on the siting issue, but
5 that's fair.

6 We've -- so those are the four (4) that
7 we're -- we're looking at. And -- and you used the word
8 "cost" so presumably there is -- I'm going to suggest to
9 you that there's -- there's two (2) types of costs that
10 may be involved: one (1) is the actual practical cost of
11 meeting with groups or meeting licensing requirements,
12 and that the second is the cost that might be incurred in
13 the event that there's delays. Sometimes these processes
14 take longer than you might expect.

15 Would that be fair? Those are the two (2)
16 types of costs that may flow from your regulatory
17 obligations?

18 MR. VINCE WARDEN: Costs will be incurred
19 as a result of delays, yes.

20 MR. BYRON WILLIAMS: And there's also
21 just direct costs involved in staff time, legal -- legal
22 time associated with these -- with meeting your
23 environmental and regulatory obligations.

24 Is that right, sir?

25 MR. VINCE WARDEN: Yes. Yes.

1 MR. BYRON WILLIAMS: And when we look at
2 Bipole 3 going down the west side of the province, as
3 opposed to the east side of the province, would you agree
4 with me that there are likely to be significant
5 regulatory costs associated with that undertaking, sir?

6 MR. VINCE WARDEN: Yes, there'll be
7 significant...

8 MR. BYRON WILLIAMS: And am I right in
9 suggesting that Bipole 3 down the west side is likely to
10 be substantially longer than if it was to go down the
11 east side, sir?

12 MR. VINCE WARDEN: Yes.

13 MR. BYRON WILLIAMS: Do you have any
14 reason to suggest that the -- the regulatory costs
15 associated with going down the west side are likely to be
16 less than going down the east side, sir?

17 MR. VINCE WARDEN: I -- I really don't
18 know the answer to that.

19 MR. BYRON WILLIAMS: That's fair and I --
20 I appreciate that. In terms of whether there's more
21 likely to be a delay going down the west side versus the
22 we -- east side, does Hydro have any thoughts or position
23 on that, sir?

24 MR. VINCE WARDEN: I don't personally
25 know.

1 MR. BYRON WILLIAMS: So you can't tell
2 us, in terms of regulatory costs or regulatory delays,
3 whether going down the west side is likely to be less
4 expensive or less delay than going down the east side?
5 You just don't have a -- a --

6 MR. VINCE WARDEN: Well, we -- we do
7 target 2017 in-service date for the transmission line,
8 and all the information I have is that in-service date is
9 doable.

10 MR. BYRON WILLIAMS: But as compared to
11 the two (2) options, you don't have an opinion on -- on
12 the relative costs which would be incurred going one (1)
13 way or the other, in terms of regulatory costs?

14 MR. VINCE WARDEN: No, I don't.

15 MR. BYRON WILLIAMS: I was tempted to
16 call this -- the next few questions, I was tempted to
17 suggest I'm going to ask them in staccato like Bob
18 Peters' fashion, but I'm not sure that staccato was that
19 successful, so I'm going to see if -- if I might ask a
20 couple of modest short-snappers, Mr. Peters.

21 Just clean -- just cleaning up a couple
22 issues then. Mr. Kuczek, I just wanted to draw your
23 attention to Exhibit Number 12, which is the home heating
24 comparison showing a variety of different options
25 including geothermal, natural gas, electric, et cetera.

1 Do you have that, sir?

2 MR. LLOYD KUCZEK: Yes.

3 MR. BYRON WILLIAMS: And again, these are
4 primarily cleanup questions. You -- you had a bit of a
5 discussion with Mr. Peters yesterday in which I believe
6 you suggested that the average usage for an all
7 electrical home was likely to be about 25,000 kilowatts a
8 year.

9 Would that be right, sir?

10 MR. LLOYD KUCZEK: I believe I said that,
11 and I think that's in our load forecast as well, if I'm
12 not mistaken.

13 MR. BYRON WILLIAMS: And just so -- when
14 I look at this table and for the -- the electric home
15 heating, would I be right in suggesting to you that the
16 home here is probably using considerably less than 25,000
17 kilowatt hours a year, sir?

18 MR. LLOYD KUCZEK: Not necessarily. The
19 nine sixty-one (961), I think, translates into about
20 16,000 kilowatt hours. Then you have to add on the use
21 for your hot water tank, as well as your -- your lights
22 and appliances, so it'll bring it up into that range.

23 MR. BYRON WILLIAMS: So when you talk --
24 when -- when I'm looking -- and that's very helpful -- so
25 when you're talking about the twenty-five thousand

1 (25,000), that's all in including heating, et cetera.

2 Is that right, sir?

3 MR. LLOYD KUCZEK: That's correct.

4 MR. BYRON WILLIAMS: So would -- around -
5 - between 16,000 and 17,000 kilowatt hours in terms of
6 just heating be basically an average home -- from the
7 electrical perspective, sir?

8 MR. LLOYD KUCZEK: Yes.

9 MR. BYRON WILLIAMS: And with the
10 permission of your counsel, I had an offline discussion
11 with you, Mr. Kuczek, about the next couple of questions
12 I'm going to ask.

13 Just -- in terms of when I look at this --
14 this table, I see that it's based -- at the top I see
15 it's based on the average single family residence revised
16 on February 28th to reflect the -- the latest figures on
17 annual consumption by energy for an average natural gas
18 heated home.

19 Is that right, sir?

20 MR. LLOYD KUCZEK: Correct.

21 MR. BYRON WILLIAMS: And if I were -- and
22 again, as I showed you offline, if I were to compare this
23 in terms of the -- the actual annual consumption for --
24 for this -- this table, being Exhibit 12, if I were to
25 compare it with similar tables Manitoba Hydro has

1 prepared in -- in the past, the annual consumption for
2 the homes would be somewhat lower than -- than Manitoba
3 Hydro has provided in the past.

4 Is that right, sir?

5 MR. LLOYD KUCZEK: That's correct.

6 MR. BYRON WILLIAMS: And so it would be
7 maybe -- so you've recently updated these figures, is
8 that right?

9 MR. LLOYD KUCZEK: That's correct.

10 MR. BYRON WILLIAMS: And would I be right
11 in suggesting that the older figures might have -- well,
12 as compared to the older figures these would be point
13 eight five (.85) or point eight six (.86) perc...

14 MR. LLOYD KUCZEK: That's correct.

15 MR. BYRON WILLIAMS: Yeah --

16 MR. LLOYD KUCZEK: It's in that range,
17 14 1/2 percent lower.

18 MR. BYRON WILLIAMS: And why are these --
19 why -- what's the -- why are these homes lower?

20 MR. LLOYD KUCZEK: Well, these tables are
21 updated on a regular basis, and what staff have been
22 doing is updating the information related to price. So,
23 this has been going on for a number of years and no one
24 thought about updating the BTU requirements for a typical
25 home, and those have changed over the years, and so when

1 it was revised they -- they revised to -- revised it to
2 reflect that.

3 And the other thing I noted they did is
4 they went from instead of a 1,230 square foot home or
5 something like that, they went to just twelve hundred
6 (1,200) and rounded it off, so that accounted for 2 --
7 2 1/2 percent or something like that as well, or
8 2 percent. I'm not sure, it's in that range, so...

9 MR. BYRON WILLIAMS: So -- and just to
10 follow-up, and again a small point, but prior to the
11 revision in consumption resulted in a -- in a reduction
12 on average of, let's say, somewhere between twelve (12)
13 and -- around 12 percent for a 1,200 square foot home,
14 when -- when was the last time that calculation had been
15 done?

16 MR. LLOYD KUCZEK: Oh, I asked that
17 question too, and it goes back to 1999, so it was quite a
18 while back.

19 MR. BYRON WILLIAMS: And so, on average,
20 when I look at -- at how the average house in 1999 versus
21 the average house in 2008, there's been, would it be fair
22 to say, about a 12 percent reduction in consumption?

23 MR. LLOYD KUCZEK: I -- I think there's --

24 MR. BYRON WILLIAMS: In terms of heating,
25 sir?

1 MR. LLOYD KUCZEK: Yeah. I -- I think
2 the 12 percent represents the -- the difference between
3 what we were using for BTUs back then and what we're
4 using today. And when I said it was revised prior to
5 that I was also informed that we use the numbers that
6 Centra was using at that time, so I'm not even sure, you
7 know, how far back that went prior to that. So it -- it
8 would be difficult for me to say.

9 And then the other issue would be we're
10 not sure exactly what was used for modeling the previous
11 numbers, and so we're using our current models. And I --
12 this is -- I shouldn't say modeling, it's based on
13 building information, I understand, so...

14 MR. BYRON WILLIAMS: Okay. And -- and
15 just to -- just the last point to wrap this up, what I'm
16 just trying to get my head around, Mr. Kuczek, is -- is
17 the decline at all reflective of a -- of lower annual
18 heating consumption for homes, and if so, why?

19 MR. LLOYD KUCZEK: I would say there's
20 certainly a factor reflecting into that. The homes today
21 certainly are built better than they were in the '60s,
22 '70s, so over time that averaging will tend to bring the
23 number down.

24 MR. BYRON WILLIAMS: I'll think on that.
25 I don't think I have any more questions on that at this

1 point in time.

2 Mr. Warden, it's probably over to you. I
3 want to turn to Exhibit Number 38.

4

5 (BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: Mr. Warden, you have
8 that, sir?

9 MR. VINCE WARDEN: I do, yes.

10 MR. BYRON WILLIAMS: And if you -- if you
11 draw your -- your mind back in time, you'll recall that
12 we had a discussion on the transcripts at page 961 and
13 962, in the context of cap -- major capital projects,
14 such as Wuskwatim, and -- and I had posed two (2)
15 questions to you: Had you had an independent consultant
16 looking at what other major electricity generating
17 utilities are doing? Or had you done a review of best
18 practices from other major utilities?

19 You'll accept that, sir?

20 MR. VINCE WARDEN: Yes.

21 MR. BYRON WILLIAMS: And your -- your
22 answer, and again, just, if you're looking for a
23 reference, it's page 961 and 2 at lines -- start at line
24 23 was, you haven't done a review -- independent review
25 in recent years, but that you had participated in surveys

1 conducted by others. And you had been advised that your
2 practices were in accordance with best practices.

3 You recall that, sir?

4 MR. VINCE WARDEN: I do.

5 MR. BYRON WILLIAMS: And in terms of the
6 reference that you were making, in terms of surveys done
7 by other, am I correct in suggesting to you that it's the
8 survey that's attached to Exhibit Manitoba Hydro-38, the
9 Deloitte & Touche survey, sir?

10 Is that the one?

11 MR. VINCE WARDEN: Yes, that was the
12 survey that I was recalling at the time of my earlier
13 testimony.

14 MR. BYRON WILLIAMS: Apart from the
15 Deloitte & Touche study, are there other best practice
16 reviews, in terms of capital expen -- expenditure, that
17 Manitoba Hydro has been involved in, that you're aware
18 of, subsequent to Deloitte & Touche, sir?

19 MR. VINCE WARDEN: Well, I am aware that
20 the Crown Corporation's counsel reviews our capital
21 expenditures every year as part of their mandate, and in
22 so doing they have compared our practices to other
23 jurisdictions and have informed me that our practices
24 are, in fact, in conformance with best practices.

25 MR. BYRON WILLIAMS: And that's written

1 somewhere, sir?

2 MR. VINCE WARDEN: That isn't written
3 anywhere. That's information that I was provided
4 verbally.

5 MR. BYRON WILLIAMS: And in terms of
6 Deloitte & Touche, would I be right in suggesting to you
7 that it's a -- it was a 2002 review, sir?

8 MR. VINCE WARDEN: Yes.

9 MR. BYRON WILLIAMS: And I don't have a
10 lot of questions on it, but I do have a few questions.
11 And I do want to point out that Mr. Peters was wrong. He
12 said that there was only one (1) coloured exhibit, then
13 two (2), but I believe the Deloitte & Touche exhibit is a
14 very pretty blue.

15 Would you agree with me, Mr. Warden?

16 MR. VINCE WARDEN: I see some yellow in
17 there, too.

18 MR. BYRON WILLIAMS: You'll agree with me
19 that Mr. Peters was, again, wrong, sir? You may not
20 think that's relevant.

21 MR. VINCE WARDEN: I -- I wouldn't go
22 that far, no.

23 MR. BYRON WILLIAMS: That's fine. I'm
24 not sure that was a relevant question.

25 I wonder if I could turn your attention to

1 page 12 of the Deloitte & Touche study. And you'll see
2 on the less -- left-hand side that the subject matter --
3 this is also -- we're referring to number 12 on the --
4 the best practice side. And you'll see that there is a -
5 - a suggestion that significant OM&A projects are
6 analyzed and prior -- prioritized.

7 Do you see that, sir?

8 MR. VINCE WARDEN: Yes.

9 MR. BYRON WILLIAMS: And I want to just
10 draw your attention to the right-hand side, "Observations
11 from Interviews", to the last -- I'm not sure if we'll
12 call it a bullet or a dash, but I'm -- I'm going to read
13 it to you and then you can confirm if I've read it
14 correctly, first of all.

15 You'll see the last one on the bottom
16 right is:

17 "One (1) of the participants defined a
18 corporate OM&A envelope annually [in
19 brackets] (i.e. in addition to the
20 business unit OM&A envelopes).
21 Business units prepare business cases
22 for OM&A initiatives and compete for
23 this corporate OM&A pool. This ensures
24 that overall OM&A spending on projects
25 is analyzed prior -- prioritized from a

1 cross-business unit perspective."

2 Did I read that correctly, first of all,
3 sir?

4 MR. VINCE WARDEN: Yes.

5 MR. BYRON WILLIAMS: And I just want to
6 ask you -- they -- they're speaking of one (1) of the
7 participants -- would I be correct in suggesting that
8 this is not Manitoba Hydro's practice, sir?

9 MR. VINCE WARDEN: Well, I can't confirm
10 whether or not they were referring to Manitoba Hydro in
11 this response. Manitoba Hydro does, in fact, have a
12 process which does segregate a certain amount of funds,
13 as a contingency, within the President and CEO's account,
14 which is drawn down during the year as priorities do
15 arise, so it could be interpreted to be a practice of
16 Manitoba Hydro.

17 MR. BYRON WILLIAMS: We'll come to the
18 contingency in -- in a minute, sir, because I think that
19 probably refers to -- to something on page 7 of this
20 study.

21 But in terms of -- are you -- what I'm
22 referring to is a corporate OM&A envelope, a global
23 amount that -- that the -- that the respective business
24 lines have to compete for.

25 And is it your evidence that -- that

1 Manitoba Hydro does that?

2 MR. VINCE WARDEN: Well, the observations
3 are open to some interpretation, but to the extent that
4 we employ at Manitoba Hydro a top-down/bottom-up type
5 process it could be interpreted that we do in fact
6 provide a corporate envelope annually which is disbursed
7 throughout the business units through the process of top-
8 down/bottom-up.

9 MR. BYRON WILLIAMS: I'll reflect on that
10 for a second, sir. If you could go to page 6 of the
11 study.

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: And, I'll refer you
16 to Best Practice Number 2 and the right-hand column,
17 "Observations from Interviews."

18 You'll see the second bullet there is
19 that:

20 "One (1) of the participants conducts
21 annual benchmarking to compare
22 indicators such as revenue to capital
23 expenditures and capital expenditures
24 to total assets to peers in its
25 industry. This is used as additional

1 input to determining the capital
2 envelope."

3 Now is that Manitoba Hydro's practice,
4 sir?

5 MR. VINCE WARDEN: No, we don't do that
6 as a matter of course, so I would say they're not
7 referring to Manitoba Hydro in this instance.

8 MR. BYRON WILLIAMS: Now -- and you'd
9 referred earlier to contingencies, and I want to ask you
10 to flip over to the next page, to page 7 and strat --
11 you'll see on the left-hand side, number 3 being
12 Strategic Reserves.

13 Do you see that, Mr. Warden?

14 MR. VINCE WARDEN: I do.

15 MR. BYRON WILLIAMS: And on the right-hand
16 side, and again I'll read the first two bullets to you:

17 "Half of the participants incorporate
18 the concept of a strategic reserve into
19 their budget to provide the
20 organization with reserve funds for
21 unplanned projects and also to help
22 reduce the amount of padding built into
23 the business unit budgets.

24 The participants noted reserves that
25 range from 6 to 10 percent of the

1 overall budget."

2 Do you see that, sir?

3 MR. VINCE WARDEN: Yes, I do. And that
4 may be a better fit with the contingency reference that I
5 -- that I mentioned earlier.

6 MR. BYRON WILLIAMS: Okay. And -- and
7 just -- so just to go back to that, Mr. Warden, in terms
8 of the overall corporate OM&A envelope that we talked
9 about previously, that's not really what Manitoba Hydro
10 does.

11 Do you agree with that?

12 MR. VINCE WARDEN: Well, no. No, I
13 wouldn't agree with that.

14 MR. BYRON WILLIAMS: Okay, okay. In
15 terms of the strategic reserve referenced here, you'll --
16 it says it reserves range from 6 to 10 percent of the
17 overall budget -- what's the magnitude of the president
18 and CEO's contingency reserve? Just so I understand it,
19 sir.

20 MR. VINCE WARDEN: Well, it would be more
21 in the 2 to 3 percent range.

22

23 (BRIEF PAUSE)

24

25 MR. BYRON WILLIAMS: I may come back to

1 this in a -- in a second, Mr. Warden, or I may not.

2 Mr. Derksen, I'm -- I -- I hopefully --
3 I'm doing -- staying true to the words of short-snappers.
4 Exhibit 35 -- I may hear a demur from the -- from the
5 Vice-Chair there.

6 Exhibit 35, Mr. Derksen, do you have that,
7 sir?

8 MR. WILLY DERKSEN: Yes, sir, I do.

9 MR. BYRON WILLIAMS: And, I have a favour
10 to ask of you from Mr. Harper. What this does is -- as I
11 understand it -- is summarize the year-over-year
12 increases of EFTs required to meet operating and
13 maintenance requirements that are charged to O -- O&A
14 expenses.

15 Is that right, sir?

16 MR. WILLY DERKSEN: Yes, sir.

17 MR. BYRON WILLIAMS: And I just wanted to
18 direct your attention to the 2007/'08 forecast. You'll
19 see that there's thirty-nine (39) positions associated
20 with power supply in that forecast, sir?

21 MR. WILLY DERKSEN: Yes.

22 MR. BYRON WILLIAMS: For those thirty-
23 nine (39) positions would you be able to provide a
24 further breakdown by business unit within power supply?

25 Do you understand what I'm -- so --

1 distribution

2

3 CONTINUED BY MR. BYRON WILLIAMS:

4 MR. BYRON WILLIAMS: Mr. Derksen, it's
5 probably still you. Now I'm really rolling on my short-
6 snappers. Exhibit 36.

7 And as I understand this answer, sir,
8 Manitoba Hydro -- Hydro's estimating, that of the current
9 two hundred (200) unfilled EFTs somewhere between one
10 hundred and twenty-five (125) and a hundred and fifty
11 (150) of the EFT vacancies are -- are a result of
12 difficulties in recruiting.

13 Is that a fair statement, sir?

14 MR. WILLY DERKSEN: That's the response,
15 yes.

16 MR. BYRON WILLIAMS: What I'm trying to -
17 - to get at, Mr. Derksen, when you're forecasting -- or
18 preparing a budget for a pending year, do you assume that
19 all EFTs will be full, or do you have an assumption that
20 a certain percentage will -- will remain vacant, sir?

21 MR. WILLY DERKSEN: There's an assumption
22 that, of the vacancies that exist they will be --
23 attempts to fill them throughout the year, and so the
24 budgets reflect what they actually expect to happen
25 throughout the year. So some will remain vacant. There

1 will be some vacancies, partial vacancies, and some will
2 be filled.

3 MR. BYRON WILLIAMS: And I just want to
4 make it concrete so -- so I understand, Mr. Derksen, how
5 this works practically.

6 Let's assume that Manitoba Hydro, leaving
7 aside Centra, is -- is looking at lets say, ballpark,
8 five thousand (5000) EFTs.

9 Is -- is that fair?

10 MR. WILLY DERKSEN: Yes.

11 MR. BYRON WILLIAMS: When you're foreca -
12 - or preparing the budget for the pending year, would you
13 assume any vacancy rate for those EFTs? For example, a 1
14 percent vacancy rate.

15 MR. WILLY DERKSEN: What -- what happens
16 in each division is that they do look at their current
17 staff complement, as well as their requirements, and the
18 track record that they have of -- of attracting any new
19 increases that they have and they do embed a vacancy
20 factor, given past experience. And as well, they look
21 at, practically speaking, what time frame it's likely
22 that they could hire new -- new recruits.

23 MR. BYRON WILLIAMS: So at the -- and if
24 I'm misstating, you'll correct me -- at the divisional
25 level there's a vacancy factor embedded.

1 Is that right, sir?

2 MR. WILLY DERKSEN: Typically there is,
3 but it would be based upon that particular division's
4 experience. So it's -- it's very individual.

5 What I'm trying to say is that there's no
6 corporate mandated vacancy factor to embed into your
7 budgets. Division managers have the obligation to
8 prepare estimates themselves of -- of what they will be
9 spending throughout the year and embedded in that is --
10 is a vacancy factor.

11 MR. BYRON WILLIAMS: So when it gets up
12 to the corporate level, just so I understand, so at the -
13 - as you bring it up there's a vacancy factor embedded?
14 We'll do it in two (2) steps.

15 MR. WILLY DERKSEN: Yes.

16 MR. BYRON WILLIAMS: At the corporate
17 level, you're not making any additional adjustments?
18 You're -- you're recognizing at the divisional level that
19 they have put in an -- a vacancy factor?

20 MR. WILLY DERKSEN: Yes, that's correct.

21

22 (BRIEF PAUSE)

23

24 MR. BYRON WILLIAMS: When you calculated
25 the range between one hundred and twenty-five (125) and

1 one hundred and fifty (150) being associated with
2 difficulties in recruiting, would I be wrong in
3 suggesting that the Corporation otherwise would have
4 expected there to be in -- in this year, perhaps fifty
5 (50) to seventy-five (75), rather than two hundred (200)
6 vacancies?

7 MR. WILLY DERKSEN: I think you'll have
8 to repeat that one for me, sir.

9 MR. BYRON WILLIAMS: There's two hundred
10 (200) vacancies in -- in the year in question, is that
11 right, sir? Unfilled?

12 MR. WILLY DERKSEN: That's correct.

13 MR. BYRON WILLIAMS: Yeah. And of those
14 two hundred (200) unfilled EFTs, the Corporation has
15 estimated that one hundred and twenty-five (125) to one
16 hundred and fifty (150) are rel -- related to
17 difficulties in recruiting, correct?

18 MR. WILLY DERKSEN: Yes.

19 MR. BYRON WILLIAMS: So that leaves
20 another fifty (50) to seventy-five (75) that are not
21 associated with difficulties in recruiting.

22 Is that fair? That's the Corporation's
23 estimate.

24 MR. WILLY DERKSEN: That would be the
25 compliment of the one twenty five (125) to one fifty

1 (150), yes.

2 MR. BYRON WILLIAMS: Would the -- would
3 it be fair to say that those fifty (50) to seventy-five
4 (75) were anticipated vacancies?

5 MR. WILLY DERKSEN: At the time of
6 budgeting, I don't think so, no.

7 MR. BYRON WILLIAMS: Okay. Thank you for
8 that.

9 Mr. Kuczek, a very quick question on
10 Exhibit Number 30. That was just a response about --
11 that's related to the Smart Meter Project, Mr. Kuczek.

12 Do you have that, sir?

13 MR. LLOYD KUCZEK: Yes.

14 MR. BYRON WILLIAMS: A lot of paper
15 shuffling for one (1) or -- one (1) simple question. I
16 hope, two (2) questions.

17 You'll recall that this information -- or
18 this undertaking flows from a suggestion in the Appendix
19 B of the Acumen Research Group report that there was a
20 gap in customer data between November 2005 and April
21 2006.

22 Do you recall that, sir?

23 MR. LLOYD KUCZEK: Correct. Yes, I do.

24 MR. BYRON WILLIAMS: And as I understand
25 the -- the answer, Manitoba Hydro has indicated that --

1 that there is no gap in its data and it's also -- when it
2 reviewed the data forwarded to Acumen there was a -- that
3 information was also complete.

4 Is that right, sir?

5 MR. LLOYD KUCZEK: Yes. And we've
6 actually contacted them and they've agreed they have the
7 data and it was a mistake on their part and we just
8 didn't pick it up when we were -- when we reviewed the
9 report.

10 MR. BYRON WILLIAMS: Okay. Are they
11 going to -- to redo the report using that information,
12 sir?

13 MR. LLOYD KUCZEK: We didn't ask them to
14 redo the report, but they offered to re -- to look at the
15 data to make sure that it didn't change any of the
16 results.

17 MR. ROBERT MAYER: Are we going to hear
18 about that? I was concerned about that particular aspect
19 of that study as well.

20 If it does change the results how are we
21 going to find out about that?

22 MR. LLOYD KUCZEK: Ms. Ramage...?

23 MS. PATTI RAMAGE: We could -- it depends
24 on the timing, if it's in the -- within the timing of
25 this Hearing we can certainly advise or we could, if Mr.

1 Kuczek advises me down the road, if we've all gone home
2 by the time he gets that information, I could certainly
3 just provide it to the Board in -- in due course.

4 THE CHAIRPERSON: Mr. Kuczek, you are
5 saying that they don't think it will affect the results?

6 MR. LLOYD KUCZEK: I suspect not, no.
7 And maybe what we could do is that if there -- it -- if
8 it does affect the results, then we should offer to
9 provide that information, and if there's no issue then --
10 if you don't hear from us, there's no issue.

11 MR. ROBERT MAYER: I should indicate, Mr.
12 Kuczek, the reason for my concern is not only was I
13 surprised at some of those results, but some people I
14 have shared that information with, one (1) of whom being
15 a participant in -- who had actually had the Smart Meter,
16 was somewhat surprised as well.

17 And it just didn't make sense unless the
18 people who were in the experimental group were incredibly
19 efficient environmentalists, because they didn't have the
20 -- they didn't have the tools with which to determine how
21 they can adjust or what -- which of their pieces of
22 equipment took the -- took the most power.

23 In any event that's my concern, because
24 I'm really interested in the Smart Meter Project; there
25 are a number of people that I know are interested in the

1 Smart Meter Project. If the results are changed -- if --
2 if somebody would advise the Board, I am sure that I can
3 convince somebody here to advise -- to let me know.

4 MR. LLOYD KUCZEK: Maybe just to add a
5 comment. I wasn't actually surprised with the results.
6 I -- I didn't think providing that information,
7 necessarily, to customers was going to have a long term
8 or a significant impact on our customers. If -- because
9 our customers already are living in an environment where
10 they know about a lot of the opportunities, because we're
11 always talking about it in the media and various --
12 various venues.

13 So, if you go to a different region and
14 there is no DSM initiative, or there's not an aggressive
15 DSM initiative, I would suggest that you would expect to
16 see some -- some impacts. So, in Manitoba we didn't see
17 those and that -- that was my conclusion and so that
18 didn't really surprise me.

19 I was surprised that the experimental
20 group actually reduced their consumption more than the
21 control group. But, again, small number -- right?

22 MS. SUSAN PROVEN: But, Mr. Kuczek,
23 wasn't there -- there was also an education component to
24 this, and both groups received that education, right?

25 So it wasn't all about the meter. It was

1 also about the information -- the advance information.
2 Does that tell you something?

3 MR. LLOYD KUCZEK: Yeah, it -- it does,
4 actually. It tells you that the more top of mind the --
5 the energy-efficient opportunities are for a consumer,
6 the more likely they are going to participate in those
7 opportunities.

8 So, again, you know, another problem we
9 had with the -- the pilot was that we had trouble getting
10 consumers. So we were kind of concerned about, Do we
11 have a biased group here to start with, right? Whether
12 they were in the control group or the experimental group,
13 they all wanted to participate in this; and a very small
14 number.

15 So they were, you know -- so even though
16 we did achieve some savings through that program, I --
17 I'd be concerned about whether or not we would realize
18 that in the mass market because, again, that bias
19 possibly with that group.

20 If we had consumers lined up to
21 participate in a program, might be a little different,
22 but we really struggled even to get those customers to
23 sign up.

24 MR. ROBERT MAYER: And I think we're all
25 agreed that the reason -- or at least one (1) of the

1 reasons for that was the requirement for payment in
2 advance, had to come off your budget and that -- that
3 pre-payment of the -- of the meter, I -- I would suggest,
4 and I think you would agree with me -- was probably the
5 major barrier to getting a larger number of people to
6 become involved.

7 MR. LLOYD KUCZEK: I think that's true,
8 too.

9 MS. SUSAN PROVEN: And just another
10 thought -- I'm wondering if maybe a different approach
11 next time. I don't know how much you work in school
12 situations, but maybe you could go into a classroom and
13 divide the classroom in half and give half the -- like
14 just starting with a group that are fairly uniform and
15 have maybe no desire in terms of conservation, and make
16 it into a project where a high school classroom actually
17 studies the differences.

18 Would that be possible?

19 MR. LLOYD KUCZEK: It -- it could be. I
20 -- I'm leaning towards, given where the technology is
21 going -- these meters are fairly expensive. They're
22 about a hundred and fifty dollars (\$150) a unit.

23 And with the technology coming with the
24 AMI meters and if we end up going down that path and if
25 you could get that information to consumers -- and I know

1 not all consumers have Internet, but considerable number
2 do -- I think it might be a better approach to wait for
3 that technology to come, 'cause I don't think it's that
4 far off.

5 And then if you look at the cost
6 differences between what you can capture there, by
7 providing this information, compared to these -- these
8 monitors. I also did get some feedback on the monitors;
9 that they were useful. Couple of staff I had try them
10 and one (1) of the comments I got back was that the most
11 interesting thing, after a little while, was just the
12 temperature that you're getting on the monitor.

13 Another individual said that the wife
14 wanted to put it off to the side because it wasn't an
15 attractive unit, you know.

16 I don't know if you've seen it. I should
17 have brought one (1) here. We've got one (1).

18 But I think the new -- the way to go, in
19 my opinion, is to see if the same AMI technology works
20 with some controls, with some end uses, and I think we
21 could achieve a lot that way. And, as well, inform
22 customers about what their usage is.

23 MS. SUSAN PROVEN: Okay, thank you.

24

25 CONTINUED BY MR. BYRON WILLIAMS:

1 MR. BYRON WILLIAMS: Mr. Kuczek, just to
2 follow up on this.

3 Has Acumen advised you how long it will do
4 -- how long it will take to review and see if this
5 information would have made a difference?

6 MR. LLOYD KUCZEK: I only got an email
7 from my staff tell -- informing me they were going to
8 look at it, and it didn't have a timeframe on it. But I
9 can check.

10 MR. BYRON WILLIAMS: And the -- in terms
11 of the pro -- or the -- the study, itself, the results
12 were obviously of interest to my clients as well.

13 So, if you would certainly agree to, if
14 you receive the results during the course of the Hearing,
15 provide them to the Coalition -- well, to all parties --
16 and even if it's after the hearing, certainly the -- the
17 Coalition would be interested in receiving the results,
18 sir.

19 That would be appreciated. You'll agree
20 to that?

21 MR. LLOYD KUCZEK: Yes.

22 MR. BYRON WILLIAMS: Just turning to
23 Exhibit Number 34 -- I'm not sure if this is you, Mr.
24 Warden, or -- or who it is. It's referring to the Hay
25 Group comparison of labour rates and overtime policies

1 study.

2 MR. VINCE WARDEN: Yes, we have it here.

3 MR. BYRON WILLIAMS: And I thank you for
4 your answer to this. It's appreciated by my client, sir.

5 I just want to, at a very high level,
6 review what -- what the -- what the study was aimed at
7 doing, as I understand it anyways.

8 Would I be correct in saying that the Hay
9 Group identified three (3) positions within Hydro 1 being
10 field operations manager, design engineer and then power
11 line maintainer and then sought information from a number
12 of other utilities, including Manitoba Hydro, with regard
13 to the best matching or most comparable other positions?

14 Would that be fair, sir?

15 MR. VINCE WARDEN: That's correct, yes.

16 MR. BYRON WILLIAMS: And would I also be
17 correct in suggesting, too, that what the Hay Group did
18 for these three (3) positions were look at hourly wage
19 rate minimum, hourly wage rate maximum, as well as
20 overtime policies?

21 Would that be fair, sir?

22 MR. VINCE WARDEN: Yes.

23 MR. BYRON WILLIAMS: And I just have,
24 again, a simple request from my clients, you -- you've
25 kindly provided the -- for -- where -- where the best

1 matching positions from Hydro fit within the minimum wage
2 percentile and also the maximum percentage.

3 For these -- the best matching positions
4 from Hydro for these three (3) positions, would Hydro be
5 prepared to provide the actual hourly wage rate minimum,
6 and the hourly wage rate maximum that was provided to the
7 Hay Group?

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

9 MR. BYRON WILLIAMS: Okay. And for these
10 three (3) positions as well, if you would also indicate
11 whether or not overtime is applicable for these three (3)
12 positions.

13 That was part of the inquiry of the Hay
14 Group as well so -- would you do that, sir?

15 MR. VINCE WARDEN: Yes.

16 MR. BYRON WILLIAMS: So to use the magic
17 words for the transcript, that's an undertaking?

18 MR. VINCE WARDEN: Yes, it's an
19 undertaking.

20

21 --- UNDERTAKING NO. 62: Manitoba Hydro to provide
22 Coalition the actual hourly
23 wage rate minimum, and the
24 hourly wage rate maximum that
25 was provided to the Hay Group

1 regarding field operations
2 manager, design engineer, and
3 power line maintainer. Also
4 indicate whether or not
5 overtime is applicable for
6 these three (3) positions
7

8 CONTINUED BY MR. BYRON WILLIAMS:

9 MR. BYRON WILLIAMS: Again, Mr. Warden,
10 will -- I'll draw your attention to Exhibit Number 40
11 which is a reference to the Hydro 1 Distribution
12 Benchmarking Study.

13 Do you have that, sir?

14 MR. VINCE WARDEN: Yes.

15 MR. BYRON WILLIAMS: And again, my
16 clients thank you for -- for the response to this. I see
17 that this study was dated October 24th, 2007, can you
18 indicate when it was received by Manitoba Hydro?

19 Do you have that information, sir?

20 MR. VINCE WARDEN: I -- I don't have that
21 information readily available. We can -- we can find
22 that out, if you like.

23 MR. BYRON WILLIAMS: I'd appreciate that.
24 Now, and again, I'm not going to spend much time on this
25 study but at a high level, you'll agree that it -- it

1 looked at comparative information between Hydro 1 and a
2 number of other utilities including Manitoba Hydro on
3 issues such as cost matrix, asset replacement rates,
4 reliability and safety.

5 Would that be fair, sir?

6 MR. VINCE WARDEN: Yes.

7 MR. BYRON WILLIAMS: And in terms of the
8 cost matrix, some of the things it looked at were
9 spending per pole kilometre, spending per gross asset
10 value and spending per customer.

11 Will you accept that subject to check,
12 sir? I -- I realize you don't have the study right in
13 front of you.

14 MR. VINCE WARDEN: I'll accept that, yes.

15 MR. BYRON WILLIAMS: And I see from your
16 response to this undertaking that -- that Manitoba Hydro
17 is unable to provide the -- it's actual -- indicate which
18 firm it is, within the study, given some confidentiality
19 concerns.

20 Is that correct, sir?

21 MR. VINCE WARDEN: Yes.

22 MR. BYRON WILLIAMS: And my clients
23 accept that, but I'm going to ask you and I've posed this
24 question to My Friend, Ms. Ramage, offline.

25 You'll accept, subject to check, that --

1 that in addition to providing specific information on
2 certain matrix to the -- to the -- with regard to
3 individual companies, there's also information available
4 in terms of which -- which quartile a firm appeared in,
5 in terms of its -- its ranking?

6 MR. VINCE WARDEN: Yes.

7 MR. BYRON WILLIAMS: And again, I don't
8 mean to go through -- I'm going to ask you to consider,
9 on behalf of Manitoba Hydro, whether it would be able to
10 or be prepared to provide its quartile ranking for -- I'm
11 going to give you just some -- the tables relating to
12 spending per pole kilometre, which are Table C3 through
13 C5; tables relating to gross asset value, which are Table
14 C6 through C8; and tables relating to cost per customer,
15 which are Table C12 through C14.

16 And again, I understand you have to check
17 with those who conducted the site so will you at least
18 review that, Mr. Warden, and -- and see whether you can
19 assist my clients?

20 MR. VINCE WARDEN: To be clear, Mr.
21 Williams, you are looking for the specific information as
22 it relates to Manitoba Hydro for those measures?

23 MR. BYRON WILLIAMS: Yes, and I'm not
24 looking for the actual information, sir, merely the
25 quartile in which it -- it was ranked. So rather than

1 the specific data or which firm it was, which quartile in
2 which Manitoba Hydro was ranked. Do you have that, sir?

3 MR. VINCE WARDEN: Yes, we can undertake
4 to do that.

5 MR. BYRON WILLIAMS: And just to be clear
6 in the undertaking, because you -- you won't be clear
7 whether you can get permission from the -- the study, so
8 you're going to undertake to review whether you can get
9 permission. MR. VINCE WARDEN: Yes.

10 MR. BYRON WILLIAMS: Is that fair, sir?

11 MR. VINCE WARDEN: I agree, yes.

12

13 --- UNDERTAKING NO. 63: Manitoba Hydro to provide
14 Coalition quartile ranking
15 for the tables relating to
16 spending per pole kilometre,
17 which are Table C3 through
18 C5; tables relating to gross
19 asset value, which are Table
20 C6 through C8; and tables
21 relating to cost per
22 customer, which are Table C12
23 through C14

24

25 MS. PATTI RAMAGE: Mr. Williams, the

1 benefit of asking me ahead of time is we've already made
2 the request, So hopefully we'll get back to you this
3 morning.

4 MR. BYRON WILLIAMS: And again, none of
5 us knows what the answers are, so we're -- this is just
6 to put better information on the record.

7 Mr. Chairman, I haven't had a chance to
8 really review Undertaking Number 46, even though Ms.
9 Fernandes was kind enough to provide that, so subject to
10 any questions I may have on that, that's -- that
11 concludes the Coalition's questions in terms of
12 undertakings.

13 THE CHAIRPERSON: Okay, Mr. Williams.
14 And if you have some questions on Exhibit 46, you can let
15 us know. We will fit you back in.

16 Ms. McCaffrey, for MIPUG, do you have any
17 questions in the panel?

18

19 RE-CROSS-EXAMINATION BY MS. TAMARA MCCAFFREY

20 MS. TAMARA MCCAFFREY: Because the other
21 counsel does such a thorough job, I really have
22 essentially nothing -- nothing to add, but I would want
23 to do one (1) follow-up to this discussion that you just
24 had with Mr. Williams.

25 The Hydro 1 study: it indicates in

1 Exhibit 40, that the survey was primarily used for
2 discovery and points to areas of opportunity where one
3 (1) utility may have better practices than another.

4 I just -- in terms of that, this was a
5 study that was commissioned by Hydro 1, but would
6 Manitoba Hydro similarly, and have they, perhaps,
7 commissioned certain studies of other utilities in order
8 for them to benefit from the experience of other
9 utilities? And does Manitoba Hydro think that's a
10 valuable exercise?

11 MR. VINCE WARDEN: We -- we have not
12 commissioned any such surveys in recent times. Two (2)
13 reasons, I guess. The cost -- cost of -- of doing so is
14 typically quite high to -- to engage a independent
15 consultant to conduct a survey of this type.

16 Secondly, we are finding that other
17 utilities are less and less forthcoming with information,
18 where -- a lot of utilities are in a competitive market
19 today, and do not release information as they have in the
20 past -- as willingly as they have in the past.

21 MS. TAMARA MCCAFFREY: Thank you, Mr.
22 Warden. So there's some difficulty, I guess, some
23 barriers to commissioning independent and formal studies.
24 But is it Manitoba Hydro's practice to -- to consider
25 other utilities and with a view to benefiting, perhaps,

1 from the experience of others?

2 MR. VINCE WARDEN: We do, of course,
3 compare ourselves to other utilities at a very high
4 level. We have found that the major benefit of
5 comparisons though is to compare ourselves to ourselves;
6 that is, if we look at how our costs are trending over
7 time that is more of a valuable indicator to us than --
8 than trying to analyse whether utilities are doing --
9 there's always difficulties in benchmarking with other
10 utilities because of different practices and customs and
11 the way the costs are classified.

12 So to do to that kind of a -- of review
13 properly, it does require a considerable investment of
14 time and dollars.

15 MS. TAMARA MCCAFFREY: And just so that
16 we're on the same page, though, Mr. Warden, a progressive
17 utility such as Manitoba Hydro, though, probably keeps
18 itself informed to a certain extent as to what's
19 happening in other jurisdictions and when you hear a good
20 idea, it's something that the Utility would obviously
21 look at if they thought it might be a good fit for the
22 Utility and even in a less formal way.

23 MR. VINCE WARDEN: Yeah, absolutely. And
24 we -- we're members of the Canadian Electrical
25 Association, the Canadian Gas Association, and we meet on

1 a regular basis with our counterparts and other utilities
2 and exchange ideas on a regular basis as well.

3 MS. TAMARA MCCAFFREY: Thank you very
4 much, sir. That completes my questions.

5 THE CHAIRPERSON: Mr. Warden, on Exhibit
6 Number 46, just one question, just to remind the Board.

7 When you are talking about actual and
8 forecast OM&A expenditures for any particular year, that,
9 of course, is after the amount that has been capitalized,
10 correct?

11 MR. VINCE WARDEN: That's correct.

12 THE CHAIRPERSON: With respect to the
13 capitalization, if you just remind us, have any of the
14 policies of the Corporation changed in the last few years
15 with respect to capitalization?

16 MR. VINCE WARDEN: Not in a significant
17 way. We have revised overhead rates -- as Mr. Derksen
18 has referred to from time-to-time -- overhead and
19 employed benefit capitalization rates, but the
20 capitalization policies have not changed significantly.
21 We do though -- with international financial reporting
22 standards on the horizon -- we do see some quite
23 significant changes coming very soon that could have a
24 very material impact on our cost of operations.

25 THE CHAIRPERSON: Have you completed any

1 reviews or analyses of the potential effects of the
2 change that is coming?

3 MR. VINCE WARDEN: We -- as we speak, we
4 have a request for proposal out to -- for assistance in
5 that area. We -- it is a major change and speaking of
6 talking to other utilities, it's one that is of concern
7 to all utilities across Canada; the changes that are
8 coming on the horizon with IFRs, and it's a major issue.
9 We're -- our Board, our Audit Committee is taking it very
10 seriously, and we will be studying this very closely over
11 the coming months.

12 THE CHAIRPERSON: The potential is,
13 presumably, when you say "major implications" would be
14 reduced net income forecasts, is that correct?

15 MR. VINCE WARDEN: Yes, that would be the
16 direction it would go. And -- and it does relate to the
17 capitalization issue that -- that there's very strict
18 restrictions on -- on what can be capitalized and what
19 should be charged to operations in a given year. And
20 indications we have is that it will be more charged to
21 operations than -- than in previous years.

22 THE CHAIRPERSON: That is the same sort
23 of issue with respect to deferred charges too, is it not?

24 MR. VINCE WARDEN: Yes, all regulatory
25 assets and liabilities will not be allowed under IFRs and

1 the extent we can defer charges in the future is -- isn't
2 an open question at this point in time.

3 THE CHAIRPERSON: I am not going to make
4 any comment on it, but you are aware that the Board in
5 recent past orders have linked, if you like,
6 capitalization and deferred charges accounting with the
7 concept of the equity ratio, with respect to the, how do
8 you put it, the adequacy of the debt/equity target.

9 MR. VINCE WARDEN: Yes, and I absolutely
10 agree with that that it's another risk faced by the
11 Corporation. That is another reason why we have to have
12 an adequate level of retained earnings.

13 THE CHAIRPERSON: Thank you, Mr. Warden.
14 Mr. Buhr, do you have any follow-up
15 questions for this Panel?

16 MR. DOUG BUHR: No, Mr. Chairman.

17 THE CHAIRPERSON: Mr. Gange...?

18 MR. BILL GANGE: No, I have no further
19 questions, Mr. Chair.

20 THE CHAIRPERSON: Mr. Peters, maybe it
21 would be good for us to take our break now. When we come
22 back we can determine whether we are ready to release the
23 Panel or not or whether Mr. Williams has further
24 questions.

25 MR. BYRON WILLIAMS: I probably have one

1 (1) or two (2) questions on Exhibit 46 which I could ask
2 right now, Mr. Chairman.

3 THE CHAIRPERSON: Please, go ahead.

4

5 RE-RE-CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

6 MR. BYRON WILLIAMS: Thank you for this.
7 I guess this was prepared by you, Mr. Derksen, or by your
8 able team, is that right, sir?

9 MR. WILLY DERKSEN: Yes.

10 MR. BYRON WILLIAMS: Obviously, one of
11 the adjustments here, apart from Centra, was the
12 adjustment for subsidiaries, is that correct, sir?

13 MR. WILLY DERKSEN: Yes.

14 MR. BYRON WILLIAMS: And in the -- and
15 this -- this adjustment focuses on the 2002/'03 year and
16 I guess my question to you is: If we look farther up at
17 2003/'04 and moving to the future, are there any, in
18 terms of the rebuttal evidence on page 5 of Manitoba
19 Hydro's evidence, are there any more adjustments for
20 subsidiaries that -- that might need to take -- to be
21 reflected, sir?

22 MR. WILLY DERKSEN: The Table MH-1 for
23 OM&A costs that's included in the rebuttal evidence for
24 '03/'04 through '06/'07 does include the subsidiary costs
25 in both the IFF and the actuals.

1 So there is really no adjustment necessary
2 in order to make the comparative.

3 MR. BYRON WILLIAMS: Okay. So it was --
4 it's really the 2002/'03 year that some adjustments were
5 required for, sir?

6 MR. WILLY DERKSEN: Yes, that's correct.
7 Mr. Warden pointed out that the bottom line on this
8 response, Exhibit Number 46, is net of subsidiaries
9 whereas the '03/'04 to '06/'07 do include the
10 subsidiaries.

11 MR. BYRON WILLIAMS: But they included
12 both in the -- the forecast and the -- target in the
13 actual?

14 MR. WILLY DERKSEN: Yes, that's correct.

15 MR. BYRON WILLIAMS: And -- and just to
16 make sure I understand, so if I look at that table, the
17 target will include -- oh excuse me, we're not talking
18 targets, we're talking forecast in actual.

19 The forecast in actual will all -- will
20 include subsidiaries? There'll be --

21 MR. WILLY DERKSEN: Yes, that's correct.

22 MR. BYRON WILLIAMS: Thank you for that.
23 I have no further questions, Mr. Chair.

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

1 MS. SUSAN PROVEN: I just had one (1)
2 more question of Mr. Kuczek before, of course, the panel
3 goes.

4 And that had to do with -- I think it was
5 Tab 40 under Mr. Peters' blue book. It's back to this
6 affordable energy fund. You had said when you were
7 reporting on the Island Lake pilot -- pilot project that
8 the materials had arrived and then there was no report.

9 There was no more information after that
10 point. So I just wondered, when did the materials
11 arrive? Like when did they get the materials?

12 MR. LLOYD KUCZEK: We shipped them up
13 last March over the winter roads.

14 MS. SUSAN PROVEN: So they've had the
15 materials for a year, and -- but there was nothing more
16 to report? What -- what does that mean? Like, what do
17 you do about that?

18 MR. LLOYD KUCZEK: Well -- well, us,
19 nothing, actually, at this point because that pilot is
20 being managed by Science Technology and Energy and Mines,
21 the Government department that we're working with.

22 So they're managing that project and it --
23 it's one (1) of the hurdles with that particular customer
24 segment, and we're working directly ourselves with some
25 others and we're hoping not to have the same -- same

1 hurdles, but we likely will in some areas, but it's a
2 challenge.

3 MS. SUSAN PROVEN: Yeah, I -- I
4 understand the challenge, but I hope it doesn't send the
5 wrong signal. I guess I just, you know, because we -- we
6 have nothing to go on then in terms of that particular
7 segment of the -- well, that particular customer that
8 you'd like to get some results with.

9 MR. LLOYD KUCZEK: Yes, it's probably --
10 my best guess is we'll see more -- some retrofits with
11 some of the other communities earlier than we will with
12 that community.

13 But we're still working or this Government
14 department is still working with them to try to get
15 things moving.

16 MS. SUSAN PROVEN: So how did you choose
17 that community in the first place? Like is there some
18 kind of testing that goes into who you're going to give
19 the materials to or were they the first to come forward?

20 MR. LLOYD KUCZEK: They were a remote
21 community and in discussions with this Government
22 department, we decided that we would try something there.

23 And we have been trying a few things with
24 some other groups but not necessarily through the lower
25 income program design concept. Just, you know, trying to

1 encourage them to participate in the Power Smart
2 programs.

3 And we had some successes. For example,
4 one (1) First Nation community worked with us and a
5 retailer and was able to get the insulation from us at no
6 cost, and they got the blower from the -- the retailer in
7 their area.

8 And they provided the labour, the First
9 Nation community. So they were able to accomplish that
10 without putting any dollars into it, and they retrofitted
11 a number of homes. So that worked very well.

12 So -- I'm not sure I've answered your
13 question but...

14 MS. SUSAN PROVEN: I'm just -- I guess
15 I'm just struggling with how you move these things
16 forward and -- and maybe it was the choice of the
17 community or the partners, who was involved as partners.

18 Is that what you're telling me, that you
19 have to weigh a lot of different factors before you can
20 be assured success?

21 MR. LLOYD KUCZEK: Yeah, that -- that
22 particular pilot started with a -- just an energy-
23 efficient initiative, and then we were working with the
24 Island Lake Tribal Council, and it grew from just energy
25 efficiency to they -- they wanted to look at a bigger

1 picture.

2 And so we got diverted into what -- what
3 can be done in terms of economic development. And it
4 went from a fairly small project to something that was
5 really likely unrealistic and quite expensive, where you
6 would develop some companies in the area and whatnot to
7 do various things and so that got diverted, and then
8 we're trying to get it back on track and just get the
9 energy efficiency done now again.

10 MS. SUSAN PROVEN: Okay, thank you.

11 MR. ROBERT MAYER: Mr. Kuczek, just to
12 followup, can you tell this Board, with any degree of
13 certainty, where those materials are right now?

14 MR. LLOYD KUCZEK: Well, with a degree of
15 certainty, I asked my staff to check, and I haven't heard
16 back. So that -- that -- I couldn't tell you for
17 certain, but I can tell you that we stored some material
18 in Hydro facilities. And there's -- the only ones that
19 I'm somewhat concerned about are -- we -- there's a
20 couple of trailers up there that we have and we stored
21 them in there as well.

22 And so there's some risk of theft, and we
23 knew that at the time, so we -- we asked our district guy
24 to check, and I haven't heard back.

25 MR. ROBERT MAYER: Thank you.

1 THE CHAIRPERSON: Mr. Peters, do you have
2 any further, given the couple other exhibits after you
3 finish?

4 MR. BOB PETERS: Mr. Chairman, I -- I do
5 not. I can alert the Board that in prior discussions
6 with Ms. Ramage, she would like to have some re-
7 examination of this panel, and that would just mean
8 whether the Board wants to take the break to discuss any
9 aspects and come back and see if there's any more
10 questions of the panel, or whether the Board is satisfied
11 that the questions are now concluded and then she would
12 do her re-direct.

13 THE CHAIRPERSON: I think we're fine at
14 this stage.

15 Ms. Ramage, do you have any re-direct?
16

17 RE-DIRECT EXAMINATION BY MS. PATTI RAMAGE:

18 MS. PATTI RAMAGE: Very, very short
19 question for Mr. Warden.

20 And that is, Mr. Warden -- this is
21 following up on Mr. Mayer's and your discussion yesterday
22 -- is natural gas a safe fuel for home heating?

23 MR. VINCE WARDEN: Yes. Both natural gas
24 and electricity are very safe energy sources for home
25 heating. Most incidents with natural gas have been

1 attributed to errors by contractors or others when
2 excavating or digging close to a natural gas distribution
3 line, or to natural gas furnaces or appliances not being
4 properly maintained.

5 This is the reason that Manitoba Hydro has
6 a widely-publicized Call-Before-You-Dig Program and a 24-
7 hour Burner Tip Program that responds immediately to any
8 issues homeowners may have with their gas appliances.

9 Both the Call-Before-You-Dig and the
10 Burner Tip Program have been very successful.

11 Thank you.

12 MR. ROBERT MAYER: If I might just follow
13 up on that. I -- I'm not going where you think I might.

14 Are there any significant differences in
15 safety between natural gas and propane?

16

17 (BRIEF PAUSE)

18

19 MR. VINCE WARDEN: Mr. Mayer, I really
20 don't think I'm qualified to answer that question.
21 Anybody else?

22 THE CHAIRPERSON: Well, one of the
23 significant differences -- I can pipe up -- is related to
24 how it's delivered. Like natural gas is mainly delivered
25 through pipelines, but in some of the Northern

1 communities, it's basically by -- almost like tanker
2 trailers -- storage devices -- which is a whole different
3 kettle of fish.

4

5

(BRIEF PAUSE)

6

7

THE CHAIRPERSON: That it, Ms. Ramage?

8

9

MS. PATTI RAMAGE: That was it. That was
just something we wanted to clarify on the record.

10

11

THE CHAIRPERSON: Now, Mr. Warden is
continuing with the next panel, correct?

12

MS. PATTI RAMAGE: That is correct.

13

14

15

16

17

18

19

THE CHAIRPERSON: Because one (1) of the
issues that just arose was this comment when we get into
issues of the accounting policies and concept of
potential change because the Board, in the process, is
quite reliant, of course, on the forecast that Manitoba
Hydro put forward. And it relates to the debt/equity
ratio and the whole rest.

20

21

22

So, leaving that aside, I think we're fine
with the concept that Mr. Warden continue with the next
panel.

23

24

25

MS. PATTI RAMAGE: Both Mr. Warden and
Mr. Surminski will be on the next panel in terms of
carryover.

1 THE CHAIRPERSON: Very good, then. So,
2 Mr. Peters, I think we'll take our break now and that
3 will provide Mr. Ramage and Hydro an opportunity to
4 change panels.

5 And we just want to express our
6 appreciation to the panel for your contributions to the
7 hearing today. Thank you very much.

8

9 --- Upon recessing at 10:17 a.m.

10 --- Upon resuming at 10:47 a.m.

11

12 THE CHAIRPERSON: Okay, folks. We'll get
13 back at it and see we have a -- a new -- a new panel with
14 a few new faces and some old ones.

15 Before we get there, Ms. McCaffrey had
16 distributed a paper that isn't evidence for this hearing
17 but may be helpful to all of us. Ms. McCaffrey.

18 MS. TAMARA MCCAFFREY: Thank you very
19 much, Mr. Chair. This is just further to MIPUG's
20 commitment to the Board to keep the Board and everybody
21 else informed of evidence as it is developing for the
22 second hearing.

23 I've provided a -- a summary that Peter
24 Ostergaard who will be a witness that MIPUG will be
25 calling in the second hearing on the new industrial rate,

1 just to provide a sort of a brief summary of the process
2 that they experienced in British Columbia.

3 He was involved in a couple of respects,
4 one of which is Chairman of the BCUC. So the purpose of
5 this is not to form part of evidence in this General Rate
6 Application. As you can see from the cover letter, it's
7 consistent with what I indicated in our motion in
8 January.

9 Mr. Ostergaard isn't available to give
10 evidence until July, and this doesn't form opinion
11 evidence in any event.

12 It's just a summary of the types of things
13 that were looked at in British Columbia that we think
14 will be relevant that the Board would want to consider
15 prior to making any decisions on the new industrial
16 proposal.

17 So I just take this opportunity to give
18 everyone a copy at this time. Thanks.

19 THE CHAIRPERSON: Thank you, Ms.
20 McCaffrey.

21 Okay, Ms. Ramage, if you wouldn't mind
22 introducing the new panel we'll swear in those that
23 haven't been sworn in yet.

24 MS. PATTI RAMAGE: Yes, thank you, Mr.
25 Chair. You'll see that in addition to Mr. Warden and Mr.

1 Surminski, we've now brought in for the cost of service
2 panel, Mr. Wiens and Mr. Thomas.

3 And prior to their being sworn, I could
4 also maybe indicate that our back row has diminished
5 considerably, but Ms. Flynn and Ms. Fernandes are still
6 back there. We've added to the back row Marnie Arnal and
7 Louella Harms who will be assisting the Cost of Service
8 panel.

9 And with that, perhaps, Mr. Gaudreau could
10 swear the two (2) new witnesses.

11

12 MANITOBA HYDRO COST OF SERVICE AND RATE DESIGN PANEL:

13 KURT ROBIN WIENS, Sworn

14 CHIC THOMAS, Sworn

15 VINCE WARDEN, Resumed

16 HAROLD SURMINSKI, Resumed

17

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

19 MS. PATTI RAMAGE: Mr. Wiens, could you
20 state your name and responsibilities at Manitoba Hydro?

21 MR. ROBIN WIENS: Yes. Good morning, Mr.
22 Chairman, members of the Public Utilities Board,
23 Intervenors and colleagues. My name is Kurt Robin Wiens.

24 I've been employed with Manitoba Hydro since January of
25 1989. From June of 1989 until December of 2002, I was

1 the Manager of the Rates Department. I am currently
2 Division Manager of Rates and Regulatory Affairs.

3 In that capacity, I have responsibility
4 for supervising the development of electricity and gas
5 rates, cost of service analysis, load research and for
6 electric service extension policy. I have overall
7 responsibilities for services in support of Manitoba
8 Hydro's regulatory compliance and proceedings.

9 I hold a Master's degree in economics from
10 the University of Manitoba. I have appeared before this
11 Board in support of Hydro's general rate applications in
12 years going back to 1990 and through to 2004, and in the
13 Status Update proceeding of 2002 and the Cost of Service
14 and Generic Review in 2005/2006.

15 I have also appeared before this Board in
16 support of applications for specific rate offerings
17 including surplus energy and earlier similar programs and
18 Manitoba Hydro's curtailable rate offerings as well.

19 MS. PATTI RAMAGE: Mr. Wiens, which
20 aspects of Manitoba Hydro's 2008/2009 General Rate
21 Application were prepared by you or under your direction?

22 MR. ROBIN WIENS: I had senior
23 responsibility for General Rate Application and all
24 supporting documents including appendices and responses
25 to Information Requests, but with particular emphasis on

1 rate design and cost of service matters, including the
2 development of the rate and terms of application for
3 large, new or expansion loads.

4 In addition, Tab 12 of the application,
5 which includes responses to specific Public Utilities
6 Board directives and previous orders was prepared by me
7 or under my direction.

8 I coordinated the preparation of rebuttal
9 to the testimony of Mr. Harper on behalf of the
10 Coalition, Messrs Osler and Bowman on behalf of MIPUG,
11 and Mr. Turnek (phonetic) on behalf of RCM/TREE. And I
12 prepared or directed rebuttal insofar as it directed
13 matters of rate design or cost of service.

14 MS. PATTI RAMAGE: Mr. Wiens, at the
15 January 28th, 2008 MIPUG motion hearing, Ms. McCaffrey
16 advised the Board that new industry that would be
17 potentially affected by the second tier of the proposed
18 General Service Large rate -- I think we've referred to
19 it as the new industrial rate in these proceedings --
20 that that second tier was unlikely to emerge during the
21 2008/2009 fiscal year.

22 Can you comment on that?

23 MR. ROBIN WIENS: Yes, I can. On pages
24 34 and 35 of the transcript of the January 28th motion
25 hearing, Ms. McCaffrey indicated that there would be no

1 incremental new large industrial customers to be added
2 during the upcoming fiscal year that might have been
3 affected by that proposal.

4 The precise words were on page 35:

5 "There's no evidence that new major
6 industrial assets are being built in
7 Manitoba in this time frame."

8 I believe that the point of that assertion
9 was that there is no urgency to approve the proposed rate
10 because there would be no load in the new year term to
11 which it might apply.

12 We don't take issue with Ms. McCaffrey's
13 assertion, that no new major industrial assets would be
14 added during the upcoming fiscal year. However, load has
15 been added at existing customer facilities since December
16 the 31st, 2007; approximately 25 megawatts of load which
17 was expected to add approximately 200 gigawatt hours of
18 energy above the baseline amounts as of December 31st,
19 2007.

20 And the revenue that's associated with
21 that anticipated load, between the existing rate and the
22 proposed second tier of the rate, is expected to be about
23 \$6.6 million a year.

24 The significance of the December 31, 2007,
25 date is that Manitoba Hydro's General Rate Application

1 anticipated the establishment of baselines based on loads
2 established prior to that date.

3 From Appendix 10 of our application on
4 page 10 of the application filed August 1st, 2007, the
5 baseline load that would be eligible for the embedded
6 cost base portion of the rate was defined as maximum
7 twelve (12) consecutive month aggregated energy
8 consumption -- consecutive twelve (12) month aggregated
9 energy consumption during the previous three (3) calendar
10 years.

11 At the time of the filing, Manitoba Hydro
12 was anticipating that if approved, the rate would be
13 implemented April 1st, 2008. That would mean that any
14 load above baseline added after December 31, 2007, would
15 be subject to the second tier of the new rate.

16 That December 31, 2007, end date is also
17 specifically referenced in Appendix 60 of the material
18 filed by Manitoba Hydro to support its application. And
19 in the Information Request responses -- pardon me.

20 On page 2 in Appendix 60, the last line of
21 the second paragraph, under Section 2.1, that's -- that's
22 the reference in Appendix 60. And, as well, it was
23 specifically referenced in the response to MIPUG IR to
24 Manitoba Hydro First Round Number 34.

25 MS. PATTI RAMAGE: Thank you for that

1 clarification, Mr. Wiens.

2 Do you have any comments with respect to
3 the pre-filed evidence of Mr. Weiss -- that Mr. Steven
4 Weiss, with respect to bill payment assistance or special
5 rates for low-income customers?

6 MR. ROBIN WIENS: Yes, I do. I simply --
7 I don't believe that this evidence is relevant in the
8 current proceeding. The Public Utilities Board has
9 received and reviewed very similar evidence from Mr.
10 Weiss during the recent Centra General Rate Application
11 hearing.

12 And I believe that the PUB did consider
13 that evidence. But in the end it ruled that the rates,
14 as proposed by Centra in that proceeding, were just and
15 reasonable.

16 The Board did direct that Centra was to
17 undertake and fund the demand side management programming
18 directed at low-income customers, in particular, a
19 furnace replacement program which Manitoba Hydro is now
20 in the process of implementing.

21 I acknowledge that there is a tradition of
22 rate payer funded support to bill affordability in some
23 United States jurisdictions.

24 However, I note, on the basis of the
25 evidence filed by Mr. Weiss in the current proceeding,

1 that over half (1/2) of the energy affordability
2 assistance in the US is provided by the US federal
3 taxpayer.

4 There is no similar tradition in Canadian
5 jurisdictions. In fact, some jurisdictions have
6 explicitly ruled out the type of programming that Mr.
7 Weiss is recommending.

8 And finally, with respect to Mr. Weiss'
9 assertions that such assistance would be revenue neutral,
10 or perhaps even better, with regard to billing and
11 collection costs, I would have to say I'm skeptical of
12 that.

13 However, nevertheless, as previously
14 stated, I don't believe this evidence is relevant in the
15 current proceeding.

16 MS. PATTI RAMAGE: Thank you, Mr. Wiens.
17 And now, Mr. Thomas, if I could ask you to state your
18 name and responsibilities at Manitoba Hydro.

19 MR. CHIC THOMAS: Good morning, Mr. Chair
20 and Board Members. My name is Chic Thomas. I'm the
21 Manager of Electric Rates and Regulatory Department.

22 As such, I am responsible for the
23 preparation of the Cost of Service Study service study as
24 well as rate design. I'm also responsible for overseeing
25 other inputs from our department, such as the annual

1 survey of Canadian electricity bills and reports to the
2 Public Utilities Board, such as the report on the Surplus
3 Energy Program.

4 I have a Bachelor -- Bachelor of Arts
5 degree from the University of Manitoba as well as being a
6 Certified Management Accountant.

7 MS. PATTI RAMAGE: Thank you. Could you
8 please highlight the cost of service studies included in
9 this Application?

10 MR. CHIC THOMAS: The Application
11 contains a per -- perspective Cost of Service Study for
12 fiscal year ending 2008. This study was prepared
13 consistent with the changes directed in Order 117/'06,
14 which resulted from the cost of service methodology
15 review in August of 2006. The 2008 study includes
16 several significant changes that were directed in that
17 order.

18 The first change in the study is that only
19 one (1) export class versus two (2) were implemented,
20 where costs allocated to this class are on the same basis
21 as domestic customers. In the PCOS '08, or the Cost of
22 Service Study for '08, significantly more generation and
23 transmission costs are directly assigned to this single
24 export class, including such costs as trading desks, MAPP
25 and MISO fees, thermal fuel costs, and DSM costs, which

1 were previously assigned to the domestic classes.

2 Also as directed, transmission costs are
3 allocated entirely on the basis of demand. In the
4 previous study in '06, those lines that served the export
5 market were allocated on the basis of energy, with all
6 other transmission costs allocated on the basis of
7 demand.

8 Finally, generation costs are allocated on
9 the basis of marginally cost-weighted energies using
10 twelve (12) Surplus Energy Program time periods rather
11 than the four (4) originally proposed.

12 MS. PATTI RAMAGE: And turning to rates,
13 could you please highlight the major changes in --
14 contained in this Application pertaining to rate design?

15 MR. CHIC THOMAS: Manitoba Hydro is
16 proposing a 2.9 percent across the board increase to all
17 domestic classes with the exception of area and roadway
18 lighting, which we are proposing a 1 percent rate
19 increase. In terms of specific rate design, the
20 following changes in this Application have been proposed.

21 First, for the residential class, Manitoba
22 Hydro is proposing an -- an inverted rate, where the tail
23 block rate is greater than the first block. While the
24 inversion in this application is nominal, at the 900
25 kilowatt hour threshold, it allows Manitoba Hydro the

1 flexibility in future applications to increase the tail
2 block portion of the rate to send a more appropriate
3 price signal to customers.

4 Second, the rate proposal includes
5 consolidation of the General Service Small non-demand --
6 General Service Small demand, pardon me, and General
7 Service Medium classes. While full consolidation will be
8 completed in future application, this Application has
9 started the process.

10 This entails a proposed block structure
11 for the medium class similar to the small demand class.
12 Medium customers currently only pay a single energy rate.
13 To up -- excuse me -- to offset the revenue increase from
14 the energy portion of the medium rate, a block demand
15 charge is proposed similar to small -- to the small
16 demand class, where the 50 kVA is exempt. This change
17 alleviates the immediate concern that at higher loads,
18 medium customers would pay approximately a hundred
19 dollars (\$100) less than small demand customers.

20 Future applications will -- future
21 applications will address the other changes needed for
22 full consolidation, primarily equalization of the energy
23 block rates between the small demand and medium classes
24 and -- and the harmonizing of the winter ratchet, which
25 is currently applicable only to the medium class.

1 Finally, Manitoba Hydro is proposing a new
2 rate for General Service Larges new and expanded loads.
3 While there has been extensive discussion already on this
4 proposed rate to date, in summary this rate proposes to
5 limit large industrial energy consumption at heritage
6 rates within a baseline amount, with amounts exceeding
7 the baseline to be charged an energy rate based on the
8 marginal costs to serve those customers.

9 In addition, customers can apply for
10 baseline increases based on economic exemption criteria.
11 However, review of this provision has been severed from
12 the current proceeding and will be discussed in a
13 separate hearing as directed by the Board's Order '08 --
14 08/'08, issued on February firth -- February 5th, 2008.

15 MS. PATTI RAMAGE: Are there any other
16 rate changes proposed in this Application?

17 MR. CHIC THOMAS: Yes. A few minor
18 changes include on the short-term power rate, we have
19 changed the terms and condition on this rate. We're
20 proposing to allow customers to use approximately one hun
21 -- one thousand (1,000) kilowatt hours per month during
22 the winter months of December, January, and February for
23 security reasons.

24 Second, a revision is being proposed
25 regarding the calculation of billing demands such that

1 customers will be charged a minimum demand charge in all
2 months, except those winter months of December, January,
3 and February.

4 On the Curtailable Rates Program, Manitoba
5 Hydro is requesting a minimal change to the notice of
6 provision by customers for anticipated pla --plant
7 shutdowns from forty-eight (48) hours to twenty-four (24)
8 hours notice.

9 Finally, on the Surplus Energy Program,
10 Manitoba Hydro is requesting to extend the terms and
11 condition of this program to March 31, 2013.

12 MS. PATTI RAMAGE: Thank you, Mr. Thomas.
13 And with that, I believe the next step in the process, we
14 can turn this panel over to Mr. Peters and make them
15 available for cross-examination.

16

17 (BRIEF PAUSE)

18

19 THE CHAIRPERSON: So you have received
20 your call, Mr. Peters.

21 MR. BOB PETERS: My wake-up call. Thank
22 you. Mr. Chairman, earlier this week I distributed
23 electronically to all counsel and representatives a book
24 of documents that I would probably use with this panel.

25 I also circulated it the first day we met

1 ease in reference, in terms of the numbers of the tabs,
2 the numbering started at fifty-one (51) and went through
3 to -- looks like seventy-one (71) -- yes.

4 MR. ROBERT MAYER: I was wondering what
5 happened to forty-eight (48), forty-nine (49) and fifty
6 (50).

7 MR. BOB PETERS: Embarrassingly, Mr. Vice
8 Chair, the -- the other tabs were not used because it
9 would have made it difficult to bind and it would have
10 been a problem in the production stage. So -- so it was
11 a conscious decision to start at fifty-one (51).

12 So, if that's acceptable, Mr. Chairman,
13 I'll proceed with my questioning of the panel.

14

15 CROSS-EXAMINATION BY MR. BOB PETERS:

16 MR. BOB PETERS: Mr. Thomas and Mr.
17 Wiens, you've been eminently patient in the back of the
18 Hearing, so let's start with -- with you two (2)
19 gentlemen.

20 Would you agree, from a starting
21 perspective, that the Cost of Service Study is Manitoba
22 Hydro's method of allocating the Utility's costs to the
23 various classes of customers that it serves?

24 MR. CHIC THOMAS: Yes, that's correct.

25 MR. BOB PETERS: And your purpose in

1 doing that, Mr. Thomas, is to determine a fair sharing of
2 the Utility's revenue requirement among the customer
3 classes?

4 MR. CHIC THOMAS: Yes.

5 MR. BOB PETERS: And when I say "a fair
6 sharing," would you agree that it would be an objectably
7 -- an objectively fair sharing, rather than a
8 subjectively fair sharing methodology?

9 MR. CHIC THOMAS: I'd agree with that.

10 MR. BOB PETERS: And in agreeing to that,
11 that's not to say there aren't subjective decisions that
12 go into the Cost of Service Study, but the essence of the
13 Cost of Service Study is to provide some objective way of
14 assessing which customer classes pay how much of the
15 Utility's costs?

16 MR. CHIC THOMAS: Yes.

17 MR. BOB PETERS: And it would be fair to
18 say that doing a Cost of Service Study is -- is a labour-
19 intensive task, correct?

20 MR. CHIC THOMAS: Yes.

21 MR. BOB PETERS: It's a major task that
22 you do every year.

23 MR. CHIC THOMAS: Most every year, yes.

24 MR. BOB PETERS: And when you say that,
25 Mr. Thomas, then maybe you can explain to the Board why

1 Manitoba Hydro isn't using the Cost of Service Study in
2 this General Rate Application to justify differentiated
3 rate increases between different customer classes.

4 MR. ROBIN WIENS: I think, Mr. Peters, we
5 have put on the record in Manitoba Hydro's rebuttal
6 evidence, the rationale used by Manitoba Hydro to
7 determine the class rate increases and to determine that
8 at this time it was most appropriate to go with what is
9 substantially a -- an across-the-board increase of 2.9
10 percent for the classes.

11 We -- we had considered, firstly, that
12 given the deficiency in reserves that we -- we've
13 identified, that there is essentially no class that is
14 really paying its -- its full cost of service. On a pre-
15 export basis, there is no class that is paying its full
16 cost of service.

17 And finally given the direction received
18 from this Board that they were going to consider a
19 marginal costing as well in -- as well as the traditional
20 embedded Cost of Service Study -- although we acknowledge
21 that the Board has not indicated what weight it intends
22 to apply to that -- but that gives -- that gives a
23 somewhat different perspective on the class rate
24 increases that would be appropriate.

25 In addition, although Manitoba Hydro's

1 filed its Cost of Service Study to be -- we believe in
2 compliant with the directives received from the Board in
3 Board Order 117/'06, it is not in -- that methodology has
4 not been tested until the current proceeding. So in
5 light of all of that -- those matters, Manitoba Hydro
6 determined that it would be most appropriate to propose
7 what is substantially an across-the-board rate increase.

8 MR. BOB PETERS: Thank you, Mr. Wiens.
9 You'd acknowledge, sir, that prior to the last General
10 Rate Application by Manitoba Hydro, the Utility used the
11 Cost of Service Study to justify, at least in part, rate
12 increases of different amounts to different rate classes.

13 MR. ROBIN WIENS: Mr. Peters, we're going
14 back to the -- to the 2004 Hearing.

15 MR. BOB PETERS: I was going back prior
16 to the last GRA. I meant prior to the 2004 General Rate
17 Application.

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

19 MR. BOB PETERS: All right. What you
20 were going to correct me on, Mr. Wiens, was that at the
21 2004 GRA, whatever your application was, the Board Order
22 was an across-the-board increase of 5 percent initially
23 for all classes.

24 MR. ROBIN WIENS: Yes.

25 MR. BOB PETERS: And that was followed up

1 again by a conditional increase of 2.25 percent that was
2 subsequently granted based on Hydro's filings for again
3 all rate classes.

4 MR. ROBIN WIENS: Correct.

5 MR. BOB PETERS: And the March 1st, 2007
6 interim increase, which is being sought to be finalized
7 by Manitoba Hydro, was also applied equally to all rate
8 classes at 2.25 percent.

9 MR. ROBIN WIENS: With the exception that
10 there was no increase proposed or approved for the street
11 lighting class.

12 MR. BOB PETERS: Thank you. Can we turn
13 to Document 52, please, in the book of documents and
14 you'll find the Proof of Revenue. It's the same one that
15 was duplicated in the -- in the earlier book of
16 documents.

17

18 (BRIEF PAUSE)

19

20 MR. BOB PETERS: It'll be found at, I
21 believe, fifty-one (51). And I think at fifty-two (52)
22 is now the...

23 MR. ROBIN WIENS: Well, you may have been
24 right in some books but not in mine.

25 MR. BOB PETERS: My apologies. If you

1 can locate the -- the Proof of Revenue doc --

2 MR. ROBIN WIENS: I have that. I have
3 that under Tab 51.

4 MR. BOB PETERS: All right, my apologies.
5 The label -- or the index and, maybe, most of the books
6 have 52. I'm not sure why we gave you a special book
7 but...

8

9 (BRIEF PAUSE)

10

11 MR. BOB PETERS: I attempted to review
12 this -- and I appreciate Mr. Warden is also available to
13 help stick-handle us through here -- but when we looked
14 at the Proof of Revenue with the other panel it would be
15 fair to conclude that from general consumers, the
16 Corporation would receive \$1.060 billion at the rates
17 that are currently in place; those rates being including
18 the interim rates from March of 2007.

19 MR. CHIC THOMAS: That's correct.

20 MR. BOB PETERS: And if we follow that
21 general consumers line across towards the middle of the
22 page, what, in essence, your revenue requirement panel
23 that -- that preceded you was asking of this Board was
24 approval of expenses that would be -- that -- of \$1.090
25 billion of -- of revenues.

1 MR. CHIC THOMAS: Yes.

2 MR. BOB PETERS: And that excludes the
3 export revenues, correct, Mr. Thomas?

4 MR. CHIC THOMAS: Yes, that's correct.

5 MR. BOB PETERS: The last four (4) lines
6 on the Proof of Revenue document are not anticipated
7 additional revenues in this application.

8 Is that correct?

9 MR. ROBIN WIENS: Yes, we would -- those
10 are anticipated revenues for this application.

11 MR. BOB PETERS: Well, let's -- let's
12 talk about the -- the diesel full cost. What you're
13 seeking here is -- is in essence additional monies as a
14 result of the increase to grid rates that would be
15 applicable to the diesel community?

16 MR. CHIC THOMAS: Yes, and that's
17 applicable on the first 2,000 kilowatt hours per month.

18 MR. BOB PETERS: And -- and that makes up
19 the -- the revenue difference? And that makes up the .1
20 percent increase total in the diesel full cost rate?

21 MR. CHIC THOMAS: Yes.

22 MR. BOB PETERS: Briefly explain the
23 miscellaneous revenue and adjustments, then, that -- that
24 are done to -- to gain an additional one hundred and
25 ninety-one thousand dollars (\$191,000) over the -- the

1 previous expected revenues.

2 MR. CHIC THOMAS: That's -- yeah, miss --
3 miscellaneous revenue occurred for late payment fees and
4 disconnection fees even and the sort of things like that.
5 Basically non-energy type -- type fees.

6 THE CHAIRPERSON: That includes the pole
7 rentals?

8 MR. CHIC THOMAS: No, Mr. Chairman.

9

10 CONTINUED BY MR. BOB PETERS:

11 MR. BOB PETERS: The pole rentals would
12 have been found under the other income -- under the other
13 income on the financial statements.

14 Would that be correct? On the IFF for
15 example?

16 MR. CHIC THOMAS: I'm sorry, Mr. Peters.
17 I missed that.

18 MR. BOB PETERS: I -- I was just
19 suggesting -- and maybe Mr. Warden can help us -- that
20 pole rental income, as an example, would have been found
21 on the IFF statements under -- under other revenues?

22 MR. VINCE WARDEN: You're correct, Mr.
23 Peters.

24 MR. BOB PETERS: All right. Well, then
25 let's turn, still with this document, to the General

1 Service Large additional revenue. And you'll agree, as a
2 starting point, that there was no such rate in existence
3 in your fiscal 2008?

4 MR. CHIC THOMAS: Yes.

5 MR. BOB PETERS: And there isn't to-date?

6 MR. CHIC THOMAS: That's right.

7 MR. BOB PETERS: And so there was no
8 energy-intensive above-baseline rate charged to any
9 customers for the purposes of the revenues calculated in
10 your fiscal 2008?

11 MR. CHIC THOMAS: Yes.

12 MR. BOB PETERS: I wasn't sure if Mr.
13 Wiens was -- was parsing words with Ms. McCaffrey, but
14 there is no realistic prospect of any new energy-
15 intensive load customer coming to Manitoba in fiscal
16 2008, correct?

17 MR. ROBIN WIENS: That would be correct.
18 No energy-intensive new customer.

19 MR. BOB PETERS: All right. And -- and I
20 -- my question was 2000 -- your fiscal 2008, Mr. Wiens.
21 I'm going to repeat the question and ask you to agree
22 that there is no realistic probability of an energy-
23 intensive industry customer, new to Manitoba, coming in
24 your fiscal 2009?

25 MR. ROBIN WIENS: Well, one cannot be

1 quite as sure but our -- our outlook, our expectation, is
2 that there will be none in the 2008/2009 year. However,
3 as I noted in my direct, we have had load expansion, in
4 fact, in the current fiscal year which is expected to
5 last, of course, into the next fiscal year.

6 MR. BOB PETERS: I'll come to that, Mr.
7 Wiens. But before I do, would you then tell the Board
8 that it is your expectation that the probability of a new
9 industry coming to Manitoba, that would be considered an
10 energy intensive industry, would be in your fiscal 2010?

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

13 MR. BOB PETERS: That's what Manitoba
14 Hydro is forecasting and planning on?

15 MR. ROBIN WIENS: Yes.

16 MR. BOB PETERS: All right. So if we're
17 back to this Proof of Revenue in the book of documents,
18 the -- would you agree with me that the energy -- not the
19 revenue, but the energy -- which is assumed to be in the
20 General Service Large additional revenue line is already
21 included in the GS Large total energy that is used to
22 derive the \$277.1 million from GS Large in the middle of
23 the page?

24 MR. ROBIN WIENS: Yes, it is.

25 MR. BOB PETERS: So you're telling the

1 Board that if -- if Manitoba's industrial customers used
2 the same amount of energy that you forecast, you'll be
3 charging part of that energy at one (1) rate and part of
4 it at another rate?

5 MR. ROBIN WIENS: Yes, that would be
6 generally true, although that's not quite mathematically
7 true in this Proof of Revenue.

8 MR. BOB PETERS: And it's not
9 mathematically true in this Proof of Revenue because
10 those numbers aren't going to come to fruition based on
11 your best estimate at in this point in time?

12 MR. ROBIN WIENS: Well, that is true
13 today. It was not true at the time that this was
14 prepared. And just by -- by way of explanation, that
15 line "GS Large additional revenue" refers to the energy
16 that we anticipated would be above baseline, which as you
17 state correctly, is included in the figures above.

18 But it is the difference between the
19 proposed rate in the second tier and the proposed rate in
20 the first tier.

21 MR. BOB PETERS: Okay, put another way so
22 I understand it, Mr. Wiens, and hopefully the Board will
23 understand my explanation, is that for the gigawatt hour
24 that is -- that is used by this energy-intensive
25 industry, some of that is being charged at what you've

1 called the "heritage rate" and some will be charged at
2 the above-baseline rate. And the above-baseline rate
3 portion is -- is just the subtraction of the first rate
4 from that?

5 MR. ROBIN WIENS: I think if I followed
6 you, I think that's correct.

7 MR. BOB PETERS: I think my head got
8 ahead of my mouth on that, but I have -- what you're
9 saying is it is the same energy and it's being reflected
10 in two (2) different lines because in one (1) line it's
11 charged at a certain rate and then the balance is charged
12 at a differential between your marginal rate and your
13 heritage rate?

14 MR. ROBIN WIENS: Correct.

15 MR. BOB PETERS: And I wasn't suggesting,
16 and I hope it wasn't taken that way, Mr. Wiens, that --
17 that there was any impropriety with the preparation of
18 the Proof of Revenue and what may have been your
19 assumptions when they were initially prepared.

20 I think in your direct evidence to Ms.
21 Ramage you've just now changed that GS Large additional
22 revenue number that if this Board was to approve your
23 application as filed, and if it was to be approved for
24 next Monday -- to be effective next -- April 1st -- you
25 would expect, in the fiscal 2009 test year, to make an

1 additional \$6.6 million, not 15 or 14.6 million?

2 MR. ROBIN WIENS: That would be correct,
3 except it would be next Tuesday.

4 MR. BOB PETERS: It's a leap year, I
5 forgot.

6 Would it be correct to say that when you
7 prepared this Proof of Revenue, you anticipated the above
8 baseline or the new industry rate to be charged to two
9 (2) different types of load?

10 One (1) would be new load coming to
11 Manitoba, for whatever reason. That was one (1) of them.
12 And the second was existing Manitoba customers increasing
13 their load.

14 MR. ROBIN WIENS: Mr. Peters, it's all
15 new load coming to Manitoba; whether it's existing
16 customer or new customer, it's new load.

17 I believe, in this -- in the forecast,
18 though, we were not anticipating new customers. We were
19 anticipating new load materializing from existing
20 customers.

21 MR. BOB PETERS: All right, well we'll
22 leave it at new load from existing customers is what --
23 what drove this Proof of Revenue.

24 MR. ROBIN WIENS: That's correct.

25 MR. BOB PETERS: And if you were to

1 revise it -- prepare it today, Mr. Wiens, that \$14.6
2 million number would be reduced down to \$6.6 million?

3 MR. ROBIN WIENS: That's correct.

4

5 (BRIEF PAUSE)

6

7 MR. BOB PETERS: The point you can,
8 perhaps, clarify for us -- and Mr. Warden may be our
9 bridge to the -- to the last panel.

10 But when we look at the Proof of Revenue
11 and we see the bottom line number, \$1.086 billion,
12 you've located that as revenue calculated for current '07
13 rates?

14 MR. ROBIN WIENS: Yes.

15 MR. BOB PETERS: You'll acknowledge that
16 that GS Large additional revenue of 15 million has not
17 materialized and won't?

18 MR. ROBIN WIENS: Correct. Well, not all
19 of it. Most of it will not.

20 MR. BOB PETERS: None of it will, will
21 it?

22 MR. ROBIN WIENS: We're talking about
23 2007/2008?

24 MR. BOB PETERS: I was -- I'm -- I'm
25 actually looking, yes, in the current fiscal year of

1 2008.

2 MR. ROBIN WIENS: Yes, some of it has
3 materialized.

4 MR. BOB PETERS: Some of the \$15 million
5 of General Service Large additional revenue has
6 materialized?

7 MR. ROBIN WIENS: Not the -- not that
8 amount of revenue, Mr. Peters. But we believe, and what
9 our information tells us is that additional load, over
10 and above the baseline as defined at December 31st, 2007,
11 has materialized during the first three (3) months of
12 2008 -- calendar 2008.

13 And, of course, the 6.6 million is an
14 annualized number, and this is only three (3) months, so
15 it would not be that much. But there would be some.

16 MR. BOB PETERS: I think where I lost you
17 or maybe myself, Mr. Wiens, was the General Service Large
18 additional revenue number is derived by charging the
19 difference between the marginal rate and the heritage
20 rate.

21 Do I have that right?

22 MR. ROBIN WIENS: That is correct.

23 MR. BOB PETERS: Well, if that is correct
24 and you -- you don't have Board approval for the new
25 marginal rate, as I'm now calling it, there would be zero

1 income and zero revenue for the GS Large additional
2 revenue showing in that column.

3 Any revenue from -- from existing
4 customers' expansions would be covered or captured in the
5 -- in the lines above, half-way up the page?

6 MR. ROBIN WIENS: Well, from the
7 perspective of a rate actually charged, yes, of course,
8 that is correct. But from the perspective of doing this
9 Proof of Revenue is the perspective I was taking, that
10 there -- there is some load that we would have
11 anticipated having applied the higher rate to that has
12 materialized that would be included in a Proof of Revenue
13 document.

14 Obviously, it's not going to materialize
15 as revenue until the rate is approved.

16 MR. BOB PETERS: And -- and so we can
17 quantify that for the Board, Mr. Wiens, to see what we're
18 -- we're splitting hairs over, that was the 25 megawatts
19 of new load which, on an annual basis, you projected to
20 be 200 gigawatt hours?

21 MR. ROBIN WIENS: Yeah, that's a fairly
22 big hair.

23 MR. BOB PETERS: Okay. But -- but, it's
24 -- but we're talking from December, now, through to the
25 end of March.

1 that but that -- that brings us to the bottom line. The
2 1.086 billion is going to be lower than that by -- it
3 could be as much as \$10 million.

4 MR. ROBIN WIENS: Oh, easily \$10 million,
5 yes.

6 MR. BOB PETERS: Okay, \$12 million lower.

7 MR. ROBIN WIENS: That would be closer.

8 MR. BOB PETERS: All right. And if it's
9 lowered by \$12 million --

10 MR. ROBERT MAYER: Anybody want to bid
11 fifteen (15)? Where we going here?

12 MR. BOB PETERS: He wouldn't go that far
13 with me.

14 But the -- but the \$1.086 billion of
15 calculated revenue at March 2007 rates will be reduced by
16 approximately \$12 million, correct?

17 MR. ROBIN WIENS: Probably fourteen (14),
18 Mr. Peters.

19 MR. BOB PETERS: Thank -- thank you for
20 the precision, and that was the number -- I -- I
21 appreciate that, Mr. Wiens, as a ballpark figure.

22 So having said that, then the correct
23 number when the Board goes back to the IFF found at Tab
24 10 of the book of documents that Mr. Warden was -- was
25 using, and look at the IFF found on page 38, numbered

1 page 38, which is near the back of the IFF document.

2 It's at Tab 10.

3 I'm looking at the 2009 test year. And
4 I'm seeing that general consumers' revenue at approved
5 rates is forecast to be 1.086 billion, and I take it that
6 number lines up with the Proof of Revenue number.

7 MR. ROBIN WIENS: It -- it appears to --
8 to do that, yes.

9 MR. BOB PETERS: And what you're telling
10 the Board is you expect it's going to be lower than that
11 in 2009 by maybe as much as \$14 million.

12

13 (BRIEF PAUSE)

14

15 MR. ROBIN WIENS: Well, Mr. Peters, we'll
16 have to take the question again, please.

17 MR. BOB PETERS: Let me come at it this
18 way. The -- what -- in fiscal 2009, on the IFF document
19 found at Tab 10 of PUB Exhibit 12, what should be the
20 general consumers' revenue at approved rates number based
21 on the information you've now given us?

22 MR. ROBIN WIENS: Well it would be minus
23 the General Service Large additional revenue if you're
24 talking -- at approved rates, because we don't have
25 another approved rate.

1 But when we did -- when we did this Proof
2 of Revenue, we -- we wanted to compare existing rates
3 with forecast rates. So we assumed that it was in place
4 in order to make the comparison.

5 So, if you're following along that line,
6 you'd take \$14 million out of it.

7 MR. BOB PETERS: All right. I think -- I
8 think that's clear and I appreciate that, Mr. Wiens.

9 I'm going to come back, certainly, to a
10 number of those matters, but perhaps it will be helpful
11 to the Board if we just take a step back and we look at
12 the Cost of Service Study a bit further.

13 The Proof of Revenue that we've just
14 looked at shows domestic consumers' revenues, but not the
15 export revenues, correct?

16 MR. CHIC THOMAS: Yes.

17 MR. BOB PETERS: And export revenues
18 together with the domestic revenues will show up in the
19 Cost of Service Study.

20 MR. CHIC THOMAS: Yes, that's right.

21 MR. BOB PETERS: It was mentioned in --
22 mentioned in your direct evidence through Ms. Ramage,
23 that the Cost of Service Study and the methodology that
24 goes into it was the subject of a separate hearing and
25 review by this Board leading up to Order 117/'06?

1 MR. CHIC THOMAS: Yeah.

2 MR. BOB PETERS: Prior to that, there was
3 some consideration that the Cost of Service Study had
4 been in a state of flux?

5 Would you agree with that?

6 MR. CHIC THOMAS: Those -- those were the
7 Board's words, yes.

8 MR. BOB PETERS: I wasn't attributing
9 them to you but -- but there were some issues surrounding
10 the Cost of Service Study that needed to be examined
11 according to the Board, and the Board held a hearing to
12 do that?

13 MR. CHIC THOMAS: Correct.

14 MR. BOB PETERS: In your book of
15 documents you'll have an extract from Board Order
16 117/'06?

17 MR. CHIC THOMAS: That's our Tab 52, yes.

18 MR. BOB PETERS: You saw me dancing
19 around that and I'll check these at the break. It -- it
20 may be in Tab 53 of some of the others and, again, my
21 sincere apologies.

22 But you've now located an extract from
23 Order 117/'06 in the book of documents, and that was an
24 Order that this Board issued August 2nd of 2006, correct?

25 MR. CHIC THOMAS: Yes.

1 MR. BOB PETERS: Let's just move through
2 this document. In the Order that the Board gave, the
3 Board wanted there to be a single export class, as
4 previously there was no export class, correct?

5 MR. CHIC THOMAS: In our 2006 proposed
6 Cost of Service Study there was, in fact, two (2) export
7 classes proposed.

8 MR. BOB PETERS: In the -- in the Board's
9 approved cost of service methodology, there had never
10 been an export class, correct?

11 MR. CHIC THOMAS: Yes.

12 MR. BOB PETERS: And Manitoba Hydro
13 proposed, in its filing leading up to Order 117/'06, to
14 establish not one (1) but two (2) export classes as
15 you've mentioned?

16 MR. CHIC THOMAS: Yes.

17 MR. BOB PETERS: That suggestion or
18 proposal from Manitoba Hydro wasn't accepted in total as
19 the Board went to one (1) export class?

20 MR. CHIC THOMAS: Yes, that's correct.

21 MR. BOB PETERS: And the Board indicated
22 that Hydro should allocate costs against export revenues
23 to reach a new calculation of what was going to be the --
24 the net export revenues, correct?

25 MR. CHIC THOMAS: Yes.

1 MR. BOB PETERS: And the Board indicates,
2 as we look at the extract from Board Order 117/'06 on the
3 second -- 1(b) actually of the -- of the operative part,
4 that the costs including direct, indirect, fixed, and
5 variable costs are to be allocated to the export customer
6 class in a manner that reflects cost causation similar to
7 the methodologies applied to domestic customer classes,
8 correct?

9 MR. CHIC THOMAS: That was the intent,
10 yes.

11 MR. BOB PETERS: All right. And that
12 would include export, trading desk costs, and those costs
13 related to the MAPP and the MISO affiliations of Manitoba
14 Hydro, and those were assigned to the export class?

15 MR. CHIC THOMAS: They were.

16 MR. BOB PETERS: The export trading desk
17 costs were 13 million and the MAPP, MISO, National Energy
18 Board costs were in the range of 7 million?

19 MR. CHIC THOMAS: We're just locating
20 that document but, subject to check, I'll accept that.
21 It sounds reasonable.

22

23 (BRIEF PAUSE)

24

25 MR. CHIC THOMAS: Yes, we have that.

1 MR. BOB PETERS: And purchased power
2 costs, including wind, of \$134 million were -- were also
3 allocated to the export class?

4 MR. CHIC THOMAS: Yes.

5 MR. BOB PETERS: And then thermal costs,
6 according to the Board's Order, were to be assigned to
7 exports as well, correct -- thermal plant costs?

8 MR. CHIC THOMAS: That was a matter of
9 interpretation. We interpreted it as the thermal fuel
10 costs.

11 MR. BOB PETERS: Well, then you --

12 MR. ROBERT MAYER: That's not what it
13 says.

14

15 CONTINUED BY MR. BOB PETERS:

16 MR. BOB PETERS: Well, let's just explore
17 that if I could with you, Mr. Thomas.

18 There were discussions during the hearing
19 as to the plant costs to run the thermal and there were
20 variable costs and there were fixed costs, correct?

21 MR. CHIC THOMAS: Yes.

22 MR. BOB PETERS: And in -- in this
23 example what -- what Manitoba Hydro has done is you've
24 included -- have you included all fuel costs?

25 MR. CHIC THOMAS: Yes.

1 MR. BOB PETERS: And also interest on the
2 plant?

3 MR. CHIC THOMAS: No.

4 MR. BOB PETERS: Depreciation costs?

5 MR. CHIC THOMAS: No.

6 MR. BOB PETERS: OM&A costs on the plant?

7 MR. CHIC THOMAS: Negative. Other than
8 fuel, of course --

9 MR. BOB PETERS: Yes.

10 MR. CHIC THOMAS: -- which would be
11 considered...

12 MR. BOB PETERS: Yes. Appreciate that.
13 And when we talk fuel, we're talking about coal and gas?

14 MR. CHIC THOMAS: Yes.

15 MR. BOB PETERS: Can you clarify the
16 amount that was assigned? Was it 23 million or 12
17 million? It seems to be -- I have some confusion on
18 that.

19 MR. CHIC THOMAS: Where are you getting
20 this 12 million?

21 MR. BOB PETERS: I was --

22 MR. CHIC THOMAS: My document says
23 twenty-three (23).

24 MR. BOB PETERS: All right. I was
25 looking at Schedule B-1 which is also in the book of

1 documents.

2 MR. ROBERT MAYER: We've got the same one
3 as you have.

4

5 CONTINUED BY MR. BOB PETERS:

6 MR. BOB PETERS: I have it at Tab 56 of
7 the book of documents. Just an extract from your Cost of
8 Service Study, and it may be at that tab or the next one
9 if your book is different, Mr. Thomas.

10 MR. BYRON WILLIAMS: Tab 55 for those
11 with the different book.

12 MR. ROBIN WIENS: Can you give us page
13 reference within that tab?

14

15 CONTINUED BY MR. BOB PETERS:

16 MR. BOB PETERS: I -- I was simply
17 looking at Schedule B-1 which unfortunately it doesn't
18 have -- doesn't have it -- it says page 18 at the bottom,
19 and I'm looking at the footnote underneath the schedule,
20 and I -- I think there's thermal costs there of
21 \$12 million.

22 MR. CHIC THOMAS: Oh, I see that, yes.

23 MR. BOB PETERS: And can you -- the
24 number was 23 million, it's your recollection, Mr.
25 Thomas?

1 MR. CHIC THOMAS: Yes, it is.

2 MR. BOB PETERS: And then maybe you can -
3 - can you, at this time, clarify what the 12 million
4 refers to on the cost of service Schedule B-1?

5 MR. CHIC THOMAS: Right offhand, I
6 cannot. I'll have to probably undertake to -- if this
7 was a misprint prior to its release or what, but I'll
8 have to double-check on that number, Mr. Peters.

9 MR. BOB PETERS: Can Manitoba Hydro
10 quantify the -- the financing costs on the thermal plant
11 plus the depreciation and the OM&A costs, other than
12 fuel?

13 MR. CHIC THOMAS: Yes, I believe we had
14 stated that either in our -- in our Cost of Service Study
15 or in our letter in April of '07, relating to the changes
16 made to the Cost of Service Study that the total thermal
17 plant was approximately 69 million, subject to check.

18 MR. BOB PETERS: And can you explain the
19 Corporation's views as to why it would not be appropriate
20 or preferred to -- to include in those thermal costs
21 things like interest appreciation and other OM&A costs?

22 MR. ROBIN WIENS: Oh, yes, Mr. Peters.
23 The thermal plant in Manitoba is built and designed to
24 provide reliability to the domestic customers. When it
25 becomes economic to do so, the plants will be dispatched

1 to support export sales. The cost of -- of dispatching
2 the plants to support export sales is the fuel cost.

3 So the export class does bear a share of
4 the thermal plant costs other than fuel but only in
5 proportion to its load. In other words, the rest of the
6 thermal plant costs were treated as a pool resource.

7 MR. ROBERT MAYER: Mr. Wiens, I recall
8 reading something where Hydro admitted that they didn't
9 do what they were ordered to do, and you explained why
10 and it's -- the explanation sounds very similar to what
11 you've just told us. But my concern is is this was not a
12 misinterpretation.

13 You didn't agree with what we did, you
14 didn't do what we told you to do, and you've explained
15 why and that's really where we're at, isn't it?

16 MR. ROBIN WIENS: Well, yes. I -- I
17 accept your description of it, Mr. Mayer.

18

19 CONTINUED BY MR. BOB PETERS:

20 MR. BOB PETERS: And I suppose, Mr.
21 Wiens, when you answered an earlier question of mine, you
22 said that the Cost of Service Study really hadn't been --
23 been tested in a public forum. This is one of those
24 aspects where the Corporation is saying it needs to be
25 considered before any final use would be made of the Cost

1 of Service Study for any differential rate adjustments.

2 MR. VINCE WARDEN: I wonder --

3 MR. CHIC THOMAS: That's fair.

4 MR. VINCE WARDEN: Sorry, I wonder if I
5 can maybe jump in on that last response, Mr. Mayer. The
6 -- and we had a fair bit of discussion on this internally
7 and we certainly didn't ignore what the Board was
8 ordering in this directive.

9 There -- there was though some
10 interpretation around that directive because it does --
11 if you read on in that same Part B of the Order, it does
12 say:

13 "And other costs that are directly
14 attributable to export sales."

15 So there -- by that we asked ourselves,
16 Well does that mean that we should only be attributing
17 costs that are directly attributable to export sales to
18 the export class?

19 So we came to the conclusion, Well, it
20 probably doesn't mean that all costs of the thermal plant
21 should be allocated. So I didn't want to leave the
22 impression we were ignoring the Order. There was some
23 interpretation required on this, and we concluded that
24 apportioning those costs of the thermal plants was the --
25 the correct interpretation.

1 MR. ROBERT MAYER: That is the
2 incredulous way of reading when you have a specificity
3 set out that the full thermal plant cost and then
4 anything in addition that would ordinarily be -- I don't
5 -- I'm not suggesting for a moment that we -- we're
6 always right and that you guys might be wrong.

7 My suggestion is, is that would be
8 virtually impossible to misinterpret, and let's call a
9 spade a spade. You didn't agree with what we did.
10 You've made your argument for it. I'm not sure that
11 you're wrong. In fact, I have some sympathy for that
12 argument. But this is not a misinterpretation.

13 MR. VINCE WARDEN: Well, Mr. Mayer, I can
14 honestly tell you that it was -- if the Board intended
15 that full thermal plant costs be included, it was a
16 misinterpretation on my part.

17 MR. ROBERT MAYER: Thank you.

18

19 CONTINUED BY MR. BOB PETERS:

20 MR. BOB PETERS: Can we -- can we take
21 that -- can we just take it further to say, What would be
22 the impact if the full \$69 million of all thermal plant
23 costs would have been included in the export class?

24 What would be the impact of that? Can you
25 -- can you help us with that?

1 MR. CHIC THOMAS: There would be less
2 cost in the generation pool to be shared by all classes.
3 So the -- the net export revenue that would be allocated
4 to all customers, after that, would be in addition to
5 that \$23 million of thermal costs.

6 It's already in there about -- I think I'd
7 said 69 million actually. I think that was the '06
8 number. It's a little bit higher, and I'll double check
9 that number for you, Mr. Peters.

10 But -- but yes, it would reduce the
11 generation pool and decrease the amount of net export
12 revenues available.

13 MR. BOB PETERS: That \$69 million or
14 whatever the updated number was, that -- that already
15 includes the 23 million of fuel?

16 MR. CHIC THOMAS: Yes, that's right.

17 MR. BOB PETERS: So there would be an
18 approximate \$46 million of additional costs allocated to
19 the export class, and those costs would be taken out of
20 the generation cost pool.

21 MR. CHIC THOMAS: Yes.

22 MR. BOB PETERS: And that'll have the
23 impact then of -- at the end of the day, leaving the
24 Corporation with less net export revenue to allocate back
25 to -- to all customer classes.

1 MR. CHIC THOMAS: Yes.

2 MR. BOB PETERS: All right. Got your
3 point. On a related point, when calculating exports
4 served from generation pool, the Corporation deducts 100
5 percent of the thermal generation costs, correct?

6 MR. CHIC THOMAS: No, that includes all -
7 - all thermal output.

8

9 (BRIEF PAUSE)

10

11 MR. BOB PETERS: I'm just checking page
12 11 of the -- of the Cost of Service Study, and it was 100
13 percent of the energy served from thermal.

14 MR. CHIC THOMAS: Yes, that's what I
15 think I was trying to say.

16 MR. BOB PETERS: All right. But Manitoba
17 Hydro does not deduct 100 percent of the -- the thermal
18 costs from export.

19 MR. CHIC THOMAS: That's right. Only the
20 thermal fuel costs.

21 MR. BOB PETERS: In terms of water
22 rentals, the Board's Order 117 of '06 was to deduct the
23 water rental costs from the export revenues as well,
24 correct?

25 MR. CHIC THOMAS: Yes.

1 MR. BOB PETERS: And in that case the
2 Corporation deducted, is it \$21 million of water rental
3 costs?

4

5 (BRIEF PAUSE)

6

7 MR. CHIC THOMAS: Again, there is some
8 confusion, Mr. Peters, of -- there's a number that's
9 shown on that -- I believe it was Tab 55, our -- our
10 book, Tab 55. And it has one (1) number, and I'm just
11 not sure what the correct number is.

12 MR. BOB PETERS: Okay, and -- and again,
13 you'll undertake to provide the Board with the correct
14 number?

15 MR. CHIC THOMAS: I will indeed.

16

17 --- UNDERTAKING NO. 64: Manitoba Hydro to determine
18 for Board the amount of water
19 rental costs deducted and to
20 verify the quantity as well
21 as the rate

22

23 MR. ROBIN WIENS: Mr. Peters, I can say
24 with respect to principal, to the -- to the amount of
25 energy in the study which was attributed to the export

1 class, the amount which was hydraulically generated will
2 include water rentals along with all the other costs
3 associated with hydraulic generation.

4

5 CONTINUED BY MR. BOB PETERS:

6 MR. BOB PETERS: And it's just a question
7 then of quantifying it if you could help us with that
8 number, we'd appreciate that.

9 Will your undertaking show the Board what
10 hydraulic generation quantity was used?

11 MR. CHIC THOMAS: For water rentals or --

12 MR. BOB PETERS: Yes.

13 MR. CHIC THOMAS: -- total -- for the --

14 MR. BOB PETERS: I was looking at the
15 page 11 of your cost-of-service study and -- and saw that
16 there was 4,524 gigawatt hours of energy generated, and I
17 had multiplied that by the -- the water rental rate to
18 come up with a different number than you showed.

19 And -- I just wondered if you could verify
20 the quantity as well as the rate?

21 MR. CHIC THOMAS: Yes. We'll undertake
22 to verify that.

23 MR. BOB PETERS: All right. Thank you.
24 In -- in turning to DSM costs, \$25 million in 2007/'08
25 are assigned to exports.

1 Is that correct?

2 MR. CHIC THOMAS: Yes.

3 MR. BOB PETERS: And that's 100 percent
4 of the total annual demand side management costs?

5 MR. CHIC THOMAS: For that year, yes.

6 MR. BOB PETERS: And then Manitoba Hydro
7 deducted 1,350 gigawatt hours of energy of DSM savings
8 from the export sales volumes?

9 MR. CHIC THOMAS: That's correct.

10 MR. BOB PETERS: And that would further
11 reduce the generation costs that are then assigned over
12 to exports?

13 MR. CHIC THOMAS: Yes.

14 MR. BOB PETERS: Now, when you did that,
15 you'll acknowledge that Manitoba Hydro still has to
16 generate the 1,350 gigawatt hours, hydraulically?

17 MR. CHIC THOMAS: Yes. Just by where of
18 -- way of clarification on that, after deducting 100
19 percent of imports and thermal, there is only one (1)
20 other place it could come from and that was hydraulic
21 generation.

22 MR. BOB PETERS: In the cost allocation
23 process, Mr. Thomas, the domestic load is shown net of
24 DSM load?

25 MR. CHIC THOMAS: Yes.

1 MR. BOB PETERS: And if DSM is to be
2 treated as an energy savings, then that DSM load should
3 be added to domestic load as a line item, should it not?

4 MR. ROBIN WIENS: That's not the way we
5 interpreted it, Mr. Peters. We interpret it that the DSM
6 expenditures, in effect, release that energy from a
7 domestic requirement and made it available to be
8 exported, which is, in fact, the argument on which was
9 based the determination that DSM expenditures should be
10 assigned to the export class.

11 In other words, if the energy was freed
12 up, it was made available to export and therefore was
13 exported and the cost of it was the cost of the DSM.

14 MR. BOB PETERS: I guess you're -- you're
15 acknowledging implicitly then, Mr. Wiens, that there may
16 be another way to look at it, but that wasn't the way
17 done by Manitoba Hydro?

18 MR. ROBIN WIENS: Yes.

19 MR. BOB PETERS: What would be the net
20 effect of adding DSM load to domestic load, doing it a
21 different way?

22

23 (BRIEF PAUSE)

24

25 MR. ROBIN WIENS: Well, directionally, it

1 would -- would have the same effect as the method that we
2 used. I cannot -- I cannot state, with any kind of
3 certainty, whether it would be similar in degree or how
4 much it would vary.

5 MR. BOB PETERS: All right, we'll --
6 we'll leave it at that. I want to turn still with the
7 Board Order and just cover off a couple of quick points
8 before lunch.

9 In the Board Order 117 of '06, Item number
10 1(c) was for the Corporation to use twelve (12) surplus
11 energy periods for the allocation of generation/energy-
12 related costs and, Mr. Thomas, I think you told us in
13 your direct evidence that's exactly what you did?

14 MR. CHIC THOMAS: Yes.

15 MR. BOB PETERS: Would it be fair --
16 would it be fair to say that while you used twelve (12)
17 time periods, Hydro may have changed the assignments of
18 exports to the various time periods as between the 2005
19 Cost of Service study and the 2007/'08?

20 MR. CHIC THOMAS: I don't think we did an
21 '05 study, Mr. Peters. There was an '06 study.

22 MR. BOB PETERS: Correct, the '06 study
23 from about April of '06?

24 MR. CHIC THOMAS: And could you repeat
25 your question again?

1 MR. BOB PETERS: Did Hydro change the --
2 the assignments of exports to the various time periods?

3 MR. ROBIN WIENS: Well, it is possible
4 although I haven't gone back and verified that the --
5 that the relative energy was different in the '08 study
6 than it was in the '06 study, because typically we use
7 the most recent year's experience on which to base our
8 forecast.

9 So if it was different in the most recent
10 year's experience then it would have been different. I
11 cannot imagine that it would have been very materially
12 different though.

13 MR. BOB PETERS: Well then, I'll just
14 leave you with these references. At the '08 Study, page
15 61 compared to the '06 Study, page 12 -- when you look at
16 peak, off-peak, and shoulder -- there appear to be
17 significant, in my words, changes in the assignment of
18 exports to those various time periods.

19 And if you could undertake to consider
20 whether that was a conscious decision and if so, why. Or
21 was it, as Mr. Wiens says, just a reflection on what the
22 actual experience was in the year preceding the -- the
23 Cost of Service Study?

24 MR. CHIC THOMAS: Sure, we could do that
25 but if you could just give me those references again,

1 please?

2 MR. BOB PETERS: From my -- if I can -- I
3 believe it's the -- the peak costs, prospective Cost of
4 Service Study '08, page 61 and that was compared to the
5 prospective Cost of Service Study '06, page 12 and that
6 should help narrow the search.

7 MR. CHIC THOMAS: Thank you.

8

9 --- UNDERTAKING NO. 65: Manitoba Hydro to indicate to
10 Coalition why there were
11 changes to peak, off-peak,
12 and shoulder between the
13 prospective Cost of Service
14 Study '08, page 61, and
15 prospective Cost of Service
16 Study '06, page 12

17

18 CONTINUED BY MR. BOB PETERS:

19 MR. BOB PETERS: In the time
20 remaining, the uniform rate adjustment, according to the
21 Board Order item number 1(d) from Order 117 of '06 was to
22 be deducted from export revenues, correct?

23 MR. CHIC THOMAS: Yes, and we had been
24 doing that previously as well.

25 MR. BOB PETERS: And it's quantified at

1 approximately \$17 million as being the impact of the
2 legislation to charge postage stamp electricity rates?

3 MR. CHIC THOMAS: Yeah.

4 MR. BOB PETERS: Does Manitoba Hydro
5 reduce the export revenues or increase the class costs to
6 the various classes in this Cost of Service Study?

7

8 (BRIEF PAUSE)

9

10 MR. CHIC THOMAS: Yes.

11 MR. BOB PETERS: It's an interesting
12 answer, but I don't think it's the right one.

13 Just to put it in perspective, Mr. Thomas,
14 and, sorry, I -- 14.7 million of that \$17 million uniform
15 rate adjustment came out of the residential customer
16 classes?

17 MR. CHIC THOMAS: Yes.

18 MR. BOB PETERS: There's no longer a Zone
19 3 and a Zone 2 residential class for rural and remote
20 communities?

21 MR. CHIC THOMAS: Yes, that's right.

22 MR. BOB PETERS: All right. And so while
23 you attribute 14.7 million, would it be fair to say
24 that's -- that number -- the precision of that number is
25 -- is not as accurate as it was at the time the

1 legislation was enacted?

2 MR. CHIC THOMAS: That's fair.

3 MR. BOB PETERS: You don't track Zone 1
4 and Zone 2 revenues and costs specifically anymore?

5 MR. CHIC THOMAS: Yes.

6 MR. BOB PETERS: You -- you do track them
7 or you don't?

8 MR. CHIC THOMAS: No.

9 MR. BOB PETERS: You don't track them?

10 MR. CHIC THOMAS: Yeah, we don't track
11 them.

12 MR. BOB PETERS: I got you, I got you.
13 And so, when you don't track them, but you've -- you've
14 now taken 17 million and you deducted that from the
15 export revenues, you told the Board, correct?

16 MR. CHIC THOMAS: Yes.

17 MR. BOB PETERS: But when it came to
18 dealing with -- how did you deal with it in the Cost of
19 Service Study for the residential customers?

20 Did you deduct that \$14.7 million from the
21 export revenues, or did you increase the class costs by
22 that amount?

23 MR. CHIC THOMAS: We added it to the
24 revenues.

25

1 (BRIEF PAUSE)

2

3 MR. BOB PETERS: All right. I'll look at
4 that with you, perhaps, after the lunch recess, Mr.
5 Chairman. And I'll -- I'll -- if parties are comfortable
6 leaving their -- their green book of documents at hand,
7 I'm going to see if I have surplus copies to put us all
8 in the same hymnbook on that, Mr. Chairman. I'm not sure
9 I can, but I'll try.

10 THE CHAIRPERSON: I think, by the way, we
11 have the same numbering system as you have.

12 Okay, thanks everyone. See you back at
13 1:15.

14

15 --- Upon recessing at 12:01 p.m.

16 --- Upon resuming at 1:21 p.m.

17

18 THE CHAIRPERSON: Okay. Welcome back.
19 Ms. Ramage...?

20 MS. PATTI RAMAGE: Yes, good afternoon.
21 Manitoba Hydro is in a position to respond to two (2) of
22 the undertakings it gave to Mr. Peters this morning. So
23 to move things along I thought we would ask Mr. Wiens and
24 Mr. Thomas to address those.

25 THE CHAIRPERSON: Very good.

1 MR. CHIC THOMAS: Yeah. Further to what
2 we were discussing this morning, there was a -- there was
3 some questions on the difference between the -- the water
4 costs and the thermal costs on Schedule B-1 in the '08
5 study and how that was different from the other numbers
6 that I thought were correct.

7 And upon further review of Schedule B-1,
8 the footnote on the bottom is referencing what Manitoba
9 Hydro's recommended version was -- what Manitoba Hydro's
10 recommended version was as opposed to the interpretation
11 of 117/'06.

12 So for example, if we look at the thermal
13 cost of \$12 million, well, what Manitoba Hydro's
14 recommended version did was took 50 percent of brand and
15 thermal and applied that to the export costs. In
16 accordance with 117/'06, we applied 100 percent.

17 So if you take the 12 million and double
18 it, we're back to the -- and it was the same -- and it
19 was the same thing with the water rentals as well. We
20 applied -- we would have applied \$21 million of water
21 rentals to the export class. With the changes directed
22 in Board Order 117/'06 that number is 16 million.

23 Did -- did that get -- clarify those two
24 (2) things, Mr. Peters?

25 MR. BOB PETERS: It -- it clarifies them

1 fully from my perspective, Mr. Thomas. I do appreciate
2 that, and I'm sorry if I contributed to the confusion
3 with that footnote.

4 MS. PATTI RAMAGE: And before we go on, I
5 thought I should also, for the record, just introduce
6 Mike Dudar has joined us and he is in the back row if --
7 we're -- we're slowly going to fill that up over the next
8 few days.

9 THE CHAIRPERSON: Thank you.

10 MR. ROBERT MAYER: We won't be here in
11 the next few days.

12 THE CHAIRPERSON: Okay, Mr. Peters...?
13

14 CONTINUED BY MR. BOB PETERS:

15 MR. BOB PETERS: Mr. Chairman, if I -- if
16 I could be afforded a moment. One person who Manitoba
17 Hydro hasn't thanked, at least on the record, and I will,
18 is Brenda Wallace. I hope she's listening in the
19 backroom.

20 Perhaps an angel to help me out, Ms.
21 Wallace took the initiative on her own to print out
22 sufficient copies of the book of documents so that now
23 everybody has the same version and we're all, literally,
24 on the same page in our -- in our books. That would not
25 have been possible without -- without her, again, over

1 and above efforts, which we've seen before. But here's
2 another example of them.

3 On a critical note, she didn't use the
4 green covers that I did, and I guess -- I guess I'll have
5 to take that up with her. But -- but she did have some
6 blue covers on hers, and -- but they are numbered
7 correctly. And that will greatly assist, certainly, the
8 record and those who also are following the transcript.

9 I will indicate that the copies we're now
10 working from are the same as the electronic copy that had
11 been circulated so that -- my error has been corrected by
12 Ms. Wallace and I -- I greatly appreciated that.

13

14 CONTINUED BY MR. BOB PETERS:

15 MR. BOB PETERS: Mr. Chairman, before
16 lunch I was in the book of documents at Tab 53 looking at
17 Order Number 117 of '06 and -- and running down a
18 checklist.

19 And I left off with 1-E of the Board Order
20 from 117/'06 on page 76 of the Order, where Hydro was to
21 include the diesel class in the Cost of Service Study.

22 Mr. Thomas, that was done, correct?

23 MR. CHIC THOMAS: Yes, and it's always
24 been included in the Cost of Service Study.

25 MR. BOB PETERS: Fair enough. But now it

1 was included such that it would receive a -- a share of
2 the net export revenue?

3 MR. CHIC THOMAS: Yes, that's correct.

4 MR. BOB PETERS: And the reason it didn't
5 receive a share of the net exports previously was what?

6 MR. CHIC THOMAS: The primary reason was
7 because previously we were allocating our export revenues
8 on the basis of generation and transmission costs. Our
9 isolated diesel communities, of course, didn't -- didn't
10 participate in those costs so, thus, were not afforded
11 any of the export revenues.

12 MR. BOB PETERS: But now because they
13 have been included in the -- in the Cost of Service Study
14 as a full participating class, if I might, they are
15 allocated a share of the net export revenues?

16 MR. CHIC THOMAS: Notwithstanding the --
17 the unexecuted agreement, yes. We thought that was the --
18 - the fairest way to do it.

19 MR. BOB PETERS: I know the issue of the
20 un -- the agreement has been raised probably ad nauseam
21 at this point.

22 But the assumptions Hydro is making in the
23 filing before the Board is that the terms and conditions
24 and the impacts of that agreement will come to fruition
25 and are included as if it had been signed?

1 MR. CHIC THOMAS: Yes, that's correct.

2 MR. BOB PETERS: And just to highlight
3 the point for the Board, maybe we'll just flip ahead to
4 Document 56 in the book of documents, which is PUB
5 Exhibit 13.

6 There's a column -- on the lefthand
7 column, we go down to the diesel line and follow that
8 diesel column across to Column 5, called "Net Export
9 Revenue."

10 Manitoba Hydro, in this Cost of Service
11 Study, is allocating \$1.544 million to the diesel class,
12 correct?

13 MR. CHIC THOMAS: Yes.

14 MR. BOB PETERS: And that \$1.544 million
15 is of net export revenue?

16 MR. CHIC THOMAS: That's correct.

17 MR. BOB PETERS: And can you tell the
18 Board what Manitoba Hydro's going to do with that \$1.544
19 million, because it's not going to the -- to the class to
20 reduce rates, is it?

21

22 (BRIEF PAUSE)

23

24 MR. ROBERT MAYER: I'm assuming some of
25 it will reduce rates for the full cost payers, isn't --

1 will it not?

2 MR. VINCE WARDEN: Yes, Mr. Peters. In
3 accordance with the agreement -- the unsigned agreement -
4 - there is a buildup deficiency that had been accumulated
5 to March 31st, 2004. It goes back a ways.

6 But that accumulated deficit is being
7 amortized over an approximate period of ten (10) years
8 and is -- is being amortized through this credit that
9 comes through on export revenues.

10

11 CONTINUED BY MR. BOB PETERS:

12 MR. BOB PETERS: In -- in non-accounting
13 terms, that deficit is being paid off by this export
14 credit allocation of \$1.544 million?

15 MR. VINCE WARDEN: Yes.

16 MR. BOB PETERS: And it will continue to
17 do so for the next approximate ten (10) or eleven (11)
18 years until that deficiency has been paid in full?

19 MR. VINCE WARDEN: Yes, at the time the
20 agreement was -- or the minutes of settlement, as they
21 were called then, at the time they were negotiated it was
22 estimated that it would take approximately ten (10) years
23 for that to be -- for that accumulation to be
24 extinguished.

25

1 (BRIEF PAUSE)

2

3 MR. BOB PETERS: Would it be correct, Mr.
4 Warden, for the Board to assume that after that
5 deficiency, which was of the magnitude of \$18 to 20
6 million, if I recall, that was -- after that deficiency
7 had been fully amortized and paid off from the net export
8 credits, the money would then be available to be directly
9 applied to the class costs and, therefore, would reduce
10 costs incurred and the -- and the rates that would be
11 charged to that community.

12 MR. VINCE WARDEN: Yes, Mr. Peters. Ms.
13 Ramage reminded me that we are under a confidentiality
14 agreement with respect to that agreement, but I think I
15 can say yes, that is the intent after the -- that amount
16 is -- is repaid.

17

18 (BRIEF PAUSE)

19

20 MR. BOB PETERS: Back to Board Order
21 117/'06, at Tab 53 of the book of documents, the next
22 item was for Hydro to allocate the net export revenue to
23 domestic customer classes using the methodology
24 recommended by Manitoba Hydro.

25 Before we get there, you will agree with

1 me, conceptually, that before the Board order, the money
2 that was considered net export revenue by the Utility was
3 of -- of a greater amount than would be the result of
4 creating the export class?

5

6 (BRIEF PAUSE)

7

8 MR. CHIC THOMAS: If you're comparing it
9 to our -- what Manitoba Hydro had recommended, yes, I
10 would agree with that.

11 MR. BOB PETERS: And you'd agree with
12 that, Mr. Thomas, because under the Hydro-recommended
13 method, not as many costs were being charged to the
14 export class per se and, therefore, the net export
15 revenue was a greater amount?

16 MR. CHIC THOMAS: That's fair, yes.

17 MR. BOB PETERS: And even if we wind the
18 clock back further, to 2003 or earlier, when there was no
19 export class, the net export revenue number was even a
20 larger number than when -- than after a class has been
21 developed for exports?

22 MR. CHIC THOMAS: Yes, that's true. We
23 were only giving the export class some portion of
24 variable costs.

25 MR. BOB PETERS: Now, when the Board

1 indicates in Item 1(f), on page 76 of their Order
2 117/'06, for the Corporation to allocate net export
3 revenues to the other classes based on Hydro's
4 recommended method, Hydro's recommended method was
5 different than the way it used to be done, correct?

6 MR. CHIC THOMAS: Yeah, as I just
7 mentioned a little while ago, we used to allocate net
8 export revenues on the basis of generation and
9 transmission costs.

10 And we had discussed this extensively in -
11 - in our Cost of Service Methodology Review, and we had
12 proposed to allocate those costs to -- on the basis of
13 all allocated costs, not just the generation and
14 transmission system.

15 MR. BOB PETERS: All right, but -- but if
16 you allocate on basis of generation and transmission, the
17 only costs you're not including in that mix then are
18 distribution costs, correct?

19 MR. CHIC THOMAS: Distribution costs and
20 what -- what we call "subtransmission" costs, and some
21 customer costs, as well.

22 MR. BOB PETERS: And those distribution
23 costs as well as some of the subtransmission costs, those
24 are predominantly incurred costs to serve the residential
25 class.

1 Do you agree?

2 MR. CHIC THOMAS: Well, not just the
3 residential class, but from our medium customers down
4 they can all be served off the subtransmission system,
5 and even some of our larger customers can be served off
6 the subtransmission system.

7 MR. BOB PETERS: All right, leaving
8 subtransmission aside for a minute, the distribution
9 costs are primarily incurred by the Utility to serve
10 residential customers?

11 MR. CHIC THOMAS: And General Service
12 Small, yes, and mediums as well, so...

13 MR. BOB PETERS: All right. We're going
14 to come to -- to that, and you'll show the Board that in
15 a few -- in a few minutes, Mr. Thomas.

16 The effect of -- of that change was to
17 give a greater percentage of the net export revenue to
18 the residential class than before the -- the revision.

19 Would that -- do you agree with that?

20 MR. CHIC THOMAS: They got more according
21 to that allocation, yes.

22 MR. BOB PETERS: They got a higher
23 percentage?

24 MR. CHIC THOMAS: A higher percentage,
25 yes.

1 MR. BOB PETERS: Yeah, leaving aside what
2 actual dollar amount there was, they would get a higher
3 percentage under the -- the methodology in 117/'06 than
4 had previously been used?

5 MR. CHIC THOMAS: Yes.

6

7 (BRIEF PAUSE)

8

9 MR. BOB PETERS: Also in the Board Order
10 was a request for Hydro to include supplemental
11 information, including marginal cost information and the
12 allocation of notional environmental emission costs,
13 correct?

14 MR. ROBIN WIENS: Yes.

15 MR. BOB PETERS: In this proceeding, Mr.
16 Wiens, you did file some marginal cost information as
17 well as earnings deficiency information, as you've called
18 it, correct?

19 MR. ROBIN WIENS: Yes.

20 MR. BOB PETERS: Would it be correct that
21 you did not file any discreet document or filing related
22 to notional environmental emissions costs?

23 MR. ROBIN WIENS: We did not file any
24 document that specifically identified environmental
25 costs. But our marginal costs, as discussed with the

1 previous panel, do include some provision for
2 environmental costs.

3 MR. BOB PETERS: And the provision for
4 environmental costs was a number, that Mr. Surminski
5 wouldn't tell me, that is included in export price
6 assumptions.

7 MR. ROBIN WIENS: That's correct.

8 MR. BOB PETERS: And by not -- by -- by
9 indicating -- including an indication that environmental
10 emissions costs are inherently included in your forecast
11 of future exports, and then by using your future export
12 forecasts to help determine marginal costs, that's the
13 Corporation's way of -- of incorporating emissions costs
14 into -- into future rates.

15 MR. ROBIN WIENS: Yes.

16 MR. BOB PETERS: But the only future rate
17 in which it's included would be the rate that is for the
18 energy-intensive industries.

19 MR. ROBIN WIENS: The only rate for which
20 marginal costs are actually applied, that is correct, Mr.
21 Peters. It's the energy-intensive industry. But the
22 marginal cost is also a benchmark in terms of -- in terms
23 of pricing signals when we're discussing any of the other
24 classes.

25 MR. BOB PETERS: All right. Let's turn

1 to page -- sorry -- to document at Tab 54 of the book of
2 documents, Mr. Wiens. It's document 54 of PUB Exhibit
3 13.

4 This is -- this is the Corporation's
5 filing of marginal cost information, correct?

6 MR. ROBIN WIENS: That is correct.

7 MR. BOB PETERS: And in it, you have a
8 column that is Generation Marginal Cost. It's second
9 from the -- well, third column, I guess, from the left.

10 MR. ROBIN WIENS: Yes.

11 MR. BOB PETERS: And what you've done
12 here is Manitoba Hydro has calculated the marginal cost
13 for each class -- essentially took the energy and then
14 multiplied it by that marginal cost figure.

15 MR. ROBIN WIENS: Yes.

16 MR. BOB PETERS: And that marginal cost
17 figure was in the order of 5.5 cents?

18 MR. ROBIN WIENS: Yes.

19 MR. BOB PETERS: Because you -- because
20 Manitoba Hydro has done this for all of the rate classes,
21 does that suggest that Manitoba Hydro wants to move to a
22 marginal cost for all rate classes?

23 MR. ROBIN WIENS: No, it does not.

24 MR. BOB PETERS: Why did you do it for
25 all rate classes then?

1 MR. ROBIN WIENS: Because we were
2 directed by the Board to file supplemental marginal cost
3 information.

4 MR. BOB PETERS: Can you explain to the
5 Board, then -- if we look at the third column from the
6 left in terms of the -- the marginal cost of generation,
7 you also do similar calculations for transmission and
8 sub-transmission on the bottom half of the chart -- of
9 the page -- correct?

10 MR. ROBIN WIENS: Mr. Peters, we -- we
11 have a -- we have an amount for transmission marginal
12 costs in the top half of the page. We also have an
13 amount for distribution marginal cost at the top half of
14 the page.

15 So they're covered in both halves of the
16 page.

17 MR. BOB PETERS: And when you do it in
18 that fashion, you come up with some revenue-to-cost
19 ratios in the far right-hand column.

20 What do those generally reflect and would
21 indicate to the Board?

22 MR. ROBIN WIENS: Well, they -- they
23 reflect exactly what's stated. They -- they take the --
24 the class revenue the same as was forecast in the
25 embedded Cost of Service Study. And they take the

1 marginal cost calculated for each class, and they provide
2 a revenue-to-cost coverage ratio based on marginal cost
3 because marginal cost is, I think, all cases, higher than
4 embedded costs on which the revenues are based. Then
5 you're going to have a revenue-to-cost ratio for all
6 classes combined, which is less than 100 percent.

7 You'll see at the top half of the page on
8 the far right side that it's about 71 percent.

9 MR. BOB PETERS: Maybe I jumped ahead of
10 myself when I -- I was going to come to it later, Mr.
11 Wiens, but when we talk marginal cost, are you talking
12 the -- in the Cost of Service Study, the cost of the last
13 unit of energy produced and delivered by Hydro to the --
14 to the common bus for each of those classes?

15 That's your estimate of that?

16 MR. ROBIN WIENS: Well, there are
17 different -- different elements in marginal costs are
18 estimated differently.

19 For generation, which is the second column
20 on the right. That is the actual energy delivered to --
21 the actual energy at generation for the domestic classes,
22 multiplied by the estimated marginal cost for the year
23 2008/2009, which is the near -- near year, the first year
24 in our marginal cost estimates.

25 MR. BOB PETERS: What you're

1 demonstrating though with this -- this chart then, Mr.
2 Wiens, is that the residential class, using your marginal
3 costing for not only generation, but distribution and
4 transmission, is only paying 72.8 percent of its marginal
5 costs as a class.

6 MR. ROBIN WIENS: Based on the costs that
7 are shown in the top half of the page, yes.

8 MR. BOB PETERS: Why doesn't Manitoba
9 Hydro assign any costs to the export class on this -- on
10 this Appendix 11.2 found at Tab 54 of the book of
11 documents?

12 MR. ROBIN WIENS: I suppose if we were to
13 do that, it would be the same unit marginal cost that we
14 have for the domestic classes. Why would we not have
15 done it? I -- I suspect because it's a totality.

16 The marginal cost is derived largely from
17 our estimated value of exports. Eight-five percent, if I
18 can be -- I can be corrected on that, is related to our
19 anticipated cost of exports.

20 MR. BOB PETERS: Does that suggest that
21 the revenue-to-cost ratio, excuse me, for that class --
22 for an export class would then be one point zero (1.0)?

23 MR. ROBIN WIENS: That would be the
24 expectation. Our forecast doesn't always absolutely jive
25 with reality, but that would -- that would be the expect

1 -- expectation for the firm portion of ex -- export sales
2 certainly. It -- it should be very close, and the firm
3 portion is what would be -- the firm portion is what
4 would be comparable to the type of service received by
5 domestic customer classes.

6

7 (BRIEF PAUSE)

8

9 MR. BOB PETERS: Just to assist the Board
10 further with the marginal cost, let's pick for -- for
11 distribution on the -- on the table that you've got
12 included here at PUB book of documents 54, the marginal
13 cost for distribution includes \$163 million of capital
14 cost components?

15 MR. ROBIN WIENS: That's correct.

16 MR. BOB PETERS: And then 23 million for
17 sub-transmission O&M?

18 MR. ROBIN WIENS: I -- I should say that
19 the column at the top part of the table labelled,
20 Distribution Marginal Cost, would also include sub-
21 transmission.

22 Then going to the bottom of the table what
23 we're showing here is simply the transmission, sub-
24 transmission, distribution, customer service, O&M costs,
25 from out of the 2008 study. They're taken directly from

1 the 2008 study. You may not recognize them because some
2 of them we don't show explicitly in the study, but that's
3 where they're derived.

4 And just to add to that, Mr. Peters,
5 they're used as a proxy for marginal cost. I'm -- I'm
6 not certain that you could say, with any degree of
7 certainty, that the cost of, for example, operating and
8 administrative costs of the distribution system varies
9 directly with the number of kilowatt hours because the
10 marginal unit may well actually be less. But that was
11 the best proxy we had available, and we didn't want to
12 ignore O&M costs in this determination.

13 MR. BOB PETERS: Mr. Wiens, help the
14 Board understand what the total would be then, and let's
15 pick the marginal cost for distribution. When I added it
16 up, I came up with \$324 million of costs that would be
17 included in the marginal cost for distribution.

18 Are you -- can you agree that that's the
19 amount? And I got that including the capital costs, the
20 sub-transmission O&M, the distribution O&M, and customer
21 service costs.

22 MR. ROBIN WIENS: You know, I haven't
23 added them up here, but -- but that -- I won't speak to
24 the number but that's the right procedure.

25 MR. BOB PETERS: You've learned not to

1 accept my math, and I will appreciate that. If I -- if
2 you do take it, subject to check, and -- and you add up
3 those components that I've given you, they come up to
4 approximately 17 percent of the total marginal cost shown
5 in the bottom right-hand, second last column of
6 \$1.9 billion. Would you accept that?

7 I see you're not going to accept it.
8 You're going to do your own math and that's probably
9 fair.

10 MR. ROBIN WIENS: You are bang on, Mr.
11 Peters.

12 MR. BOB PETERS: All right.

13 MR. ROBIN WIENS: This is going to be a
14 short afternoon.

15 MR. BOB PETERS: We're hoping. And that
16 \$1.9 billion, Mr. Wiens, unless I had a senior's moment,
17 I didn't hear your revenue requirement panel asking this
18 Board for \$1.9 billion of revenue.

19 They were looking more of total embedded
20 costs in the range of \$1.6 billion, which would have been
21 used in your Cost of Service Study, correct?

22 MR. ROBIN WIENS: That's what they were
23 asking for, but that was not what they were asking for
24 for general consumers which is what's included in here.

25 MR. BOB PETERS: Okay. But the total

1 embedded costs -- if -- if we go down to the column on
2 the distribution, prospective Cost of Service Study '08.
3 That's going to be found at Document 55 in my book of
4 documents, and you'll have to flip to the second page, I
5 think, to find the numbers in the right-hand column, two
6 thirds of the way down the page.

7 I included sub-transmission of 76 million,
8 distribution plant of 298 million and distribution
9 service of 83 million, to come up with \$459.2 million
10 total, for total distribution costs in the prospective
11 cost of service '08 and...

12 MR. ROBIN WIENS: Can you give me that
13 again, Mr. Peters?

14 MR. BOB PETERS: I took 76.6 million for
15 sub-transmission. I added that to 298.9 million for
16 distribution plant.

17 MR. ROBIN WIENS: I don't think we have
18 the right reference, Mr. Peters.

19 MR. BOB PETERS: Oh, no. Looking at
20 Schedule E-1, page 2 of 2, --

21 MR. ROBIN WIENS: E-1 -- where is that?
22 54 -- oh, I've got it, I've got it.

23 Okay, here we are. Seventy-six (76) for
24 sub-transmission, two hundred and eight (208) for
25 distribution plant --

1 MR. BOB PETERS: No, two hundred and
2 ninety-eight (298).

3 MR. ROBIN WIENS: -- plus seventy-eight
4 (78) for distribution plant customer --

5 MR. BOB PETERS: Plus eighty -- plus
6 eighty-three point seven (83.7).

7 MR. ROBIN WIENS: All right, I have that.

8 MR. BOB PETERS: And I come up with
9 \$459.2 million total distribution costs under PCOSS '08
10 for --

11 MR. ROBIN WIENS: Four hundred and forty-
12 eight (448)?

13 MR. BOB PETERS: Four fifty-nine (459).

14 MR. ROBIN WIENS: Maybe not so short.

15

16 (BRIEF PAUSE)

17

18 MR. ROBIN WIENS: Yeah, well, that --
19 that would be fair. Yes, that -- that would be right,
20 Mr. Peters.

21 MR. BOB PETERS: All right, thank you,
22 and I'm sorry for dancing around. But let's just refocus
23 here for the Board. Under the marginal cost calculation
24 for distribution, you've agreed with me that the
25 distribution marginal costs are 17 percent of the total

1 \$1.9 billion, correct?

2 You've agreed with me on that already?

3 MR. ROBIN WIENS: Yes. Yes, I have.

4 MR. BOB PETERS: And now if we go down to
5 the -- not the marginal costing but your embedded cost
6 study, the PCOSS '08, you come up with 23 percent of your
7 -- of your total embedded costs are related to
8 distribution?

9 MR. ROBIN WIENS: I -- I haven't. I'll
10 take that, subject to check.

11 MR. BOB PETERS: And -- and where we're
12 going with this is your total embedded costs were \$1.624
13 billion.

14 MR. ROBIN WIENS: Yes, Mr. Peters, that -
15 - that is correct. But again, I would caution you, that
16 1.6 includes all the costs that are allocated to all
17 customer classes including the export class.

18 The numbers here refer to the domestic
19 class only -- domestic classes only.

20 MR. BOB PETERS: The numbers for the
21 marginal costing is domestic classes only.

22 MR. ROBIN WIENS: Yes.

23 MR. BOB PETERS: All right. If I --

24 MR. ROBIN WIENS: And the revenue
25 requirement is domestic classes only.

1 MR. BOB PETERS: But then why --

2 MR. ROBIN WIENS: Gives you the \$1
3 billion approximate.

4 MR. BOB PETERS: All right. But then
5 let's just go to the totals then. The \$324 million is
6 less than the \$459 million found under the embedded cost
7 study.

8 MR. ROBIN WIENS: We -- we have agreed in
9 the marginal information we've got capital costs in the
10 top line, and we've got the O&M costs from the bottom
11 line for sub-transmission and distribution and customer
12 service. And that's 324 related to 459.

13 Well, marginal cost concept is not the
14 same as an embedded cost concept. This is looking
15 forward in time as to what the estimate of what it costs
16 us to accept another kilowatt -- in the case of the
17 capital costs to accept another kilowatt of load.

18 And along with the actual O&M from the
19 embedded study, the embedded study includes the entire
20 existing system. They're -- they're not the same thing.

21 MR. BOB PETERS: No.

22 MR. ROBIN WIENS: And in this case, it
23 appears to be the case. Unlike the generation resource,
24 the marginal cost of accepting another kilowatt on the
25 distribution system is actually less than the embedded

1 cost.

2 And that's not a surprising result. That
3 -- that can happen in other places too.

4 MR. BOB PETERS: Okay. I appreciate that
5 explanation. Now let's look at the big numbers.

6 Including in the embedded side, you told
7 me that the \$1.6 billion includes all the -- all the
8 costs that have been allocated including export.

9 MR. ROBIN WIENS: Yes.

10 MR. BOB PETERS: And the 1.9 billion
11 doesn't.

12 MR. ROBIN WIENS: That's right. It
13 includes the -- it includes the 24 million kilowatt hours
14 approximately at generation that serve domestic
15 customers.

16 MR. BOB PETERS: And if your revenue
17 requirement is only \$1.6 billion, Mr. Wiens, but you had
18 marginal rates that will recover \$1.9 billion, the
19 Corporation would over -- over-recover by some \$375
20 million.

21 MR. ROBIN WIENS: Well again, because
22 we're talking about domestic customers only, it would
23 actually over-recover by something in the order of 800 --
24 \$850 million.

25 MR. BOB PETERS: What -- but you've

1 taken --

2 MR. ROBIN WIENS: If -- even if we --

3 MR. BOB PETERS: -- off the export
4 considerations.

5 MR. ROBIN WIENS: Yeah, if we charged to
6 recover full marginal costs from every domestic customer.

7 MR. BOB PETERS: All right. And -- and
8 in the event Manitoba Hydro did that, what would Manitoba
9 Hydro would suggest would be the appropriate use of that
10 \$850 million of -- I'll call it surplus revenue recovered
11 through rates?

12 MR. VINCE WARDEN: Well, it would be a
13 nice circumstance, Mr. Peters. But, you know, obviously
14 under that scenario, we're talking significantly higher
15 rates in Manitoba. Probably dividends back to the
16 Province and the Province has some kind of a rebate low
17 income type program to provide that dividend to -- to
18 customers or do whatever they choose to do with that
19 dividend, I suppose.

20 But that would be likely -- the likely
21 scenario that would unfold if we went to full marginal
22 cost rates.

23 MR. BOB PETERS: And then just to bring
24 us back to reality, Mr. Warden, is there any intention on
25 the Corporation's part to go to full marginal cost rates?

1 MR. VINCE WARDEN: No.

2 MR. BOB PETERS: The intention except for
3 the energy intensive industry is to remain with embedded
4 or the embedded cost of service determinations.

5 MR. VINCE WARDEN: Yes, it is.

6 MR. BOB PETERS: I want to turn to the
7 outstanding reports that were discussed in Board Order
8 117 of '06 and if we go back to Tab 53, Mr. Wiens, of the
9 revised book of documents, there's a listing under point
10 Number 4 of the Board -- Board order from page 77
11 indicating the following information reports are to be
12 filed by the Corporation.

13 And let's just go through those; 4(b)
14 sought a report and recommendations to phase out or
15 eliminate the declining block rate schedules, correct?

16 MR. ROBIN WIENS: Yes.

17 MR. BOB PETERS: And what you have filed
18 before the Board, am I correct, Mr. Wiens, that for the
19 residential class -- and, I suppose, the General Service
20 Large -- there is an inverted rate proposal before the
21 Board?

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

23 MR. BOB PETERS: Now, as I understood
24 your -- your direct evidence -- and actually, I think it
25 was Mr. Thomas, according to my notes -- indicated that

1 the -- the inversion -- and we'll see it when we get to
2 the numbers in the residential class -- is that the --
3 the last block of energy isn't priced that much higher
4 than the first block of energy?

5 MR. CHIC THOMAS: Yes, that's right.

6 MR. BOB PETERS: And would the Board
7 gather correctly, Mr. Thomas, from your evidence through
8 Ms. Ramage, that in the future Hydro would expect to ramp
9 up that second block and make the inversion even greater,
10 so that your second block of energy is at a higher -- a
11 much higher price than the first block?

12 MR. CHIC THOMAS: That's not my decision
13 to make, but that's what was in the direct, that -- that
14 it gives us the flexibility to do so.

15 MR. BOB PETERS: In the seasonal -- in
16 the seasonal rates for the residential class, that was
17 also inverted, was it not?

18 MR. CHIC THOMAS: Yes, the same rate
19 applies.

20 MR. BOB PETERS: And the seasonal rate --
21 I -- I just wasn't sure from your -- from your evidence.

22 You talked about "short-term power rate."
23 Was that relating to seasonal customers?

24 MR. CHIC THOMAS: No, that's a different
25 rate.

1 MR. BOB PETERS: All right. So for the -
2 - for the seasonal customers, these are the ones that
3 would include recreational properties?

4 MR. CHIC THOMAS: Typically, yes.

5 MR. BOB PETERS: All right. And the
6 inversion for them is -- is the same, as you said, as --
7 as with the residential class?

8 MR. CHIC THOMAS: Yes, that's right.

9 MR. BOB PETERS: And the General Service
10 Small still has a declining rate block, correct?

11 MR. CHIC THOMAS: Well, yes and no. I
12 mean it's a declining rate block, but you have to factor
13 in -- we have a declining rate block only because we have
14 a demand provision in there.

15 So to have an inversion on there and have
16 -- and still have a demand charge, would -- would create
17 quite a large inversion.

18 MR. ROBIN WIENS: It's -- it's -- it is,
19 notionally and on appearances, a declining block rate
20 accompanied by an inverted rate for demand. In fact, for
21 virtually every customer, they do not get out of the
22 first energy block, nor do they pay demand charges.

23 MR. BOB PETERS: Let's show the Board
24 that in your rate schedule at Tab 68 of the book of
25 documents. And let's turn -- let's turn first to the

1 second page. It's actually numbered page 6 of 26 in the
2 bottom right.

3 And you'll -- you'll recognize this as
4 coming out of the proposed rate schedule, Mr. Thomas and
5 Mr. Wiens?

6 MR. CHIC THOMAS: Yes, that's right.

7 MR. BOB PETERS: And let's start with the
8 General Service before I go back to residential.

9 But, while it has the appearance that the
10 -- that the electricity gets cheaper the more you use,
11 Mr. Wiens, you're telling us that that's really not the
12 practical effect, because customers will also have to pay
13 some billing demand after they get past the first 50 kVA?

14 MR. ROBIN WIENS: Yes.

15 MR. BOB PETERS: And getting past the
16 first 50 kVA is relatively easily achieved, so they will
17 be paying -- most customers will be paying a demand
18 charge?

19 MR. ROBIN WIENS: Not so. In terms of
20 customer numbers -- I don't have the numbers right in
21 front of me, but I believe that in the General Service
22 Small class, a total of some seventy thousand (70,000)
23 customers...

24

25 (BRIEF PAUSE)

1 MR. ROBIN WIENS: Is we -- we have sixty
2 thousand (60,000) here, approximately. Only ten thousand
3 (10,000) ever get past 50 kVA.

4 MR. BOB PETERS: All right, those
5 customer numbers, for the Board's reference, are also
6 found at Tab 56 of the book of documents. The second
7 page in is called Schedule B-2.

8 And there's a customer count that you've
9 used in your Cost of Service Study, which is probably
10 approximate to the number you're using now, Mr. Wiens?

11 MR. ROBIN WIENS: It would be pretty
12 close.

13 MR. BOB PETERS: All right, so the -- so
14 -- so staying with the -- the General Service Small,
15 while there's no outwardly -- outward appearance of a --
16 of an inverted rate, you're suggesting in prior answers
17 that most customers will stay within the first block and
18 pay the highest rate for their entire consumption?

19 MR. ROBIN WIENS: Most of the non-demand
20 customers will not pass through the first block of 11,000
21 kilowatt hours. I -- the exact percentage escapes me
22 now, but it's in excess of 90 percent, I believe.

23 MR. BOB PETERS: And a general
24 demographic description of the type of customers included
25 in the General Service Small would include what?

1 MR. ROBIN WIENS: I can't speak to their
2 age or sex or family status, Mr. Peters.

3 MR. BOB PETERS: Okay. I used the word
4 demographics too -- too literally with you, Mr. Wiens.

5 But are these convenience stores; small,
6 little stores in strip malls; and the like?

7 MR. ROBIN WIENS: That would be a pretty
8 good description of them, res -- some restaurants,
9 smaller institutional facilities.

10 MR. BOB PETERS: What's the purpose of
11 having a last block of energy here at two point six five
12 (2.65) cents a kilowatt hour if it's not going to be --
13 if it's not going to be required?

14 MR. ROBIN WIENS: Well, we have the rate
15 schedule for the small -- both non-demand and demand is
16 an integrated rate schedule. I -- I suppose we could --
17 we could provide two (2) separate rate schedules, of
18 which case it would not appear, because you will not get
19 to that last block unless you're paying a demand charge.

20 MR. BOB PETERS: All right, we've got
21 your point. Turning back at a tab -- still in Tab 68 of
22 the book of documents, the residential rates that we
23 talked about previously.

24 I just want to show and demonstrate to the
25 Board that in this proposed rate, Mr. Wiens and Mr.

1 Thomas, you're -- you're proposing that the first block
2 of energy be this 900 kilowatt hours per month, at five
3 point nine eight (5.98) cents a kilowatt hour, correct?

4 MR. CHIC THOMAS: Yes.

5 MR. BOB PETERS: And that -- that first
6 rate block is a -- is a larger rate block, because last
7 time the Board saw this it was about 175 kilowatt hours
8 per month.

9 MR. CHIC THOMAS: That was in our
10 previous rate schedule, yes.

11 MR. BOB PETERS: All right. So what
12 you're proposing is to raise the first block of energy at
13 a -- at a certain rate and that five ninety-eight (598),
14 that five point nine eight (5.98) cents is -- is
15 approximately what the rate was for the second block of
16 energy previously, correct?

17 MR. CHIC THOMAS: Yeah, it's pretty
18 close.

19 MR. BOB PETERS: And when we say you have
20 an inverted rate, the second block of energy, you call it
21 the balance of the kilowatt hours, is at six point zero
22 one (6.01) cents. That's a three (3) cent inversion
23 mathematically. Sorry, point...

24 MR. CHIC THOMAS: Three one-hundredths
25 (.03) of a cent?

1 MR. BOB PETERS: Yes, point zero three
2 (.03) --

3 MR. CHIC THOMAS: Zero --

4 MR. BOB PETERS: -- of -- of a cent,
5 which is in essence is -- is, for practical purposes,
6 flat in terms of...

7 MR. CHIC THOMAS: I don't think I want to
8 touch that, but --

9 MR. BOB PETERS: All right.

10 MR. CHIC THOMAS: -- it's -- it's a
11 nominal inversion is what I used in my direct.

12 MR. BOB PETERS: All right. You could
13 have made the inversion greater by adjusting the first
14 block of energy to a different number than 900 kilowatt
15 hours, correct?

16 MR. CHIC THOMAS: Yes, also remembering
17 the constraint of our 2.9 percent rate increase as -- as
18 well. But -- but, yes, you could still have the same
19 effect by juggling those two (2) rates.

20 MR. BOB PETERS: What was the magic with
21 900 kilowatt hours per month? And I ask it not to say
22 that it was magical.

23 But what -- what led the Corporation to
24 conclude that would be the appropriate size for the first
25 block?

1 MR. ROBIN WIENS: It's about the typical,
2 or close to the average, usage by residential customers.
3 I would add, as well, it's the -- it's the number that
4 Hydro Quebec uses in its inverted residential rate.

5 MR. BOB PETERS: But I think Mr. Kuczek
6 told us that it wouldn't be the number that would be used
7 by the all-electric homeowners, in terms of what their
8 typical monthly consumption is, but this would simply be
9 the appliances and the lighting component of a natural
10 gas heated home?

11 MR. ROBIN WIENS: That would be pretty
12 close.

13 MR. BOB PETERS: The people who -- who
14 heat their home electrically would end up being in the
15 second block, at the higher cost for most of the
16 consumption?

17 MR. ROBIN WIENS: In heating months they
18 would, and in the coldest months of the year it would
19 probably be most of their consumption.

20 MR. BOB PETERS: While we were looking at
21 this document to talk about rate structures, if we flip
22 to page 11 of 26 -- as it's numbered in the book of
23 documents, Tab 68 -- the General Service Medium still has
24 a declining block structure as well, Mr. Wiens.

25 Is that also offset by the demand charge?

1 MR. ROBIN WIENS: Yes, because at the
2 time we introduced at the -- at the front end of the
3 General Service Medium rate, the energy structure equal
4 to the General Service Small, we also introduced the
5 inverted demand rate -- zero, no charge for the first 50
6 kVA.

7 MR. BOB PETERS: The General Service
8 Large customers also have a new proposed rate, and I have
9 included that in Tab 63 of the book of documents. I
10 think it's going to receive special attention as we go
11 through this. But just so the Board can see what --
12 what's been talked about in the abstract form, let's put
13 some numbers to it.

14 Hydro's proposal is that baseline energy
15 be charged at two point five (2.5) cents a kilowatt hour,
16 correct?

17 MR. ROBIN WIENS: That is for the under
18 30 kV, the loads served on our distribution system, yes.

19 MR. BOB PETERS: All right. And if we --
20 if we go to the -- if we go to the -- the largest class,
21 exceeding 100 kV, the baseline energy is two point three
22 five (2.35) cents, as per your schedule?

23 MR. ROBIN WIENS: Yes.

24 MR. BOB PETERS: And maybe we should
25 stick with that, the subclass of exceeding 100 kV.

1 That two point three five (2.35) cents
2 that you call baseline energy, you also, I think, have
3 called that in your evidence a "heritage rate."

4 Would I -- would that be correct?

5 MR. ROBIN WIENS: We may have done that.
6 That's -- that's a term that's used elsewhere to
7 designate the rate that applies to existing -- to energy
8 served out of existing resources. So technically,
9 they're not actually equivalent, but we thought it was a
10 name that people would recognize.

11 MR. BOB PETERS: All right. So when we
12 get through this discussion, we can talk about baseline
13 energy rate or the heritage rate or the old rate meaning
14 the rate that was set based on embedded costs for this
15 class?

16 MR. ROBIN WIENS: That's technically the
17 best descriptor, the last one, Mr. Peters.

18 MR. BOB PETERS: The last descriptor
19 being rates based on --

20 MR. ROBIN WIENS: Based on embedded
21 costs.

22 MR. BOB PETERS: -- embedded costs.

23 MR. ROBIN WIENS: Yeah.

24 MR. BOB PETERS: All right. And when the
25 Board looks at the specifics, we see here the energy

1 above baseline rate is five point six eight (5.68) cents
2 per kilowatt hour.

3 And that would be for this -- for that
4 portion of the new energy intensive load that was above
5 the baseline, and did not qualify for any exemption?

6 MR. ROBIN WIENS: Correct.

7 MR. BOB PETERS: You're telling the Board
8 that the five point six eight (5.68) cents is determined
9 through the marginal cost proxies as put forward by
10 Manitoba Hydro?

11 MR. ROBIN WIENS: Yes.

12

13 (BRIEF PAUSE)

14

15 MR. BOB PETERS: In summary, when we look
16 to see the inverted rate structures, there are a couple
17 that are apparent on their face that they're inverted.

18 And in practical terms there are -- the
19 other classes are also resulting in inverted rate
20 structure primarily because of the demand component?

21 MR. ROBIN WIENS: Exclusively because of
22 the demand component.

23 MR. BOB PETERS: Would it be correct for
24 the Board to assume that going forward, Manitoba Hydro,
25 if it applies for future rate increases, will want to

1 increase the energy component of the rates as opposed to
2 the demand component of the rates?

3 MR. ROBIN WIENS: Well, that will be up
4 to those to decide at that future time. But right now
5 that, I believe, is actually an expressed intent of
6 Manitoba Hydro.

7 MR. BOB PETERS: One of the reports in
8 Board Order 117/'06 that was asked for from Tab 53 of the
9 book of documents, was a report and recommendations with
10 respect to re-balancing demand and energy charges, Mr.
11 Wiens, correct?

12 MR. ROBIN WIENS: Yes.

13 MR. BOB PETERS: Would I also be correct
14 that in response to that directive, Manitoba Hydro filed
15 a report that it had previously filed with the Board with
16 some updating in it?

17 MR. ROBIN WIENS: I -- I think that would
18 be correct.

19 MR. BOB PETERS: And -- and to put this
20 in perspective before the Board, would you agree with me
21 that Manitoba Hydro's demand charges to its General
22 Service customers over-collects from them the costs that
23 are incurred for demand-related matters?

24

25

(BRIEF PAUSE)

1

2 MR. ROBIN WIENS: Mr. Peters, I'm -- I'm
3 referring to your Tab 56, second page in and unit costs
4 per kVA is the embedded cost as determined in the Cost of
5 Service Study. I would say that your assertion is
6 generally true but not entirely true.

7 MR. BOB PETERS: I thought the only
8 exception might be the General Service Large less than 30
9 kVA.

10 MR. ROBIN WIENS: That is correct.

11 MR. BOB PETERS: And so except for the
12 General Service Large less than 30 kVA, the demand
13 charges that you put out to your customers are bringing
14 in revenues that exceed the actual costs that Manitoba
15 Hydro spends on the demand component of their service.

16 MR. ROBIN WIENS: Based on the Cost of
17 Service Study, yes.

18 MR. BOB PETERS: All right. Does your
19 qualification of being based on the Cost of Service Study
20 suggest that there's a better measure for that?

21 MR. ROBIN WIENS: For embedded costs
22 today, we don't have a better measure.

23 MR. BOB PETERS: Would you agree that by
24 charging -- by overcharging in the demand charges, that
25 sends the wrong signal in terms of energy consumption to

1 consumers?

2 MR. ROBIN WIENS: Well, here you're
3 getting closer to the heart, Mr. Peters, of the
4 qualification that I was implying a moment ago.

5 From an economist's perspective, you would
6 base the cost on -- and -- and you brought up the
7 economist perspective when you said price signals. You
8 would base it on marginal cost. So you would get a
9 different answer.

10 I take the view that as you proceed --
11 drill down further into the Cost of Service Study that --
12 the Cost of Service Study is intended to provide you
13 principally with a global look at what is the appropriate
14 cost to allocate to each class.

15 We do look at the elements in the rate
16 structure and see how -- how close we are as well. But I
17 would say that you -- once you get down into looking at
18 the rates and rate structure itself, you also want to
19 consider marginal cost, not only embedded cost.

20 You may want to limit your total revenue
21 overall or your total revenue from each class to what
22 shows up in this Cost of Service Study as a benchmark.

23 But you may want to look at how you design
24 your rates within that as -- as being perhaps less
25 closely tied to your embedded cost and looking at other

1 considerations.

2 I guess that -- that's what I was getting
3 at.

4 MR. BOB PETERS: Has that been a
5 conscious effort of the Corporation to try to -- to look
6 at demand energy balances from -- through marginal cost-
7 coloured glasses?

8 MR. ROBIN WIENS: I don't say -- I'm not
9 saying that we tie it specifically to that, but -- but
10 that -- that needs to be a consideration.

11 MR. BOB PETERS: Let's turn, Mr. Wiens,
12 to book of document, Tab 69. This is a response to
13 PUB/Manitoba Hydro First Round Question 13(b) where the
14 demand energy balances were looked at. And let's pick on
15 General Service Large greater than 100 kVA or kVA at the
16 bottom left-hand column.

17 The allocated demand costs work out to two
18 point -- sorry, two dollars and twenty-one cents (\$2.21)
19 in my review of the materials, for kVA, but the revenue
20 that comes back exceeds that, correct?

21 MR. ROBIN WIENS: That is correct.

22 MR. BOB PETERS: And that there was an
23 exception that you noted and it's -- it's also
24 demonstrated on the -- on the sheet that we should have.

25 By saying that, does Manitoba Hydro

1 believe that its customers are aware that the demand
2 charge is bringing in more revenue than the -- the costs
3 allocated?

4 MR. ROBIN WIENS: The customers who
5 follow these proceedings would very likely be aware. I'm
6 not sure that the bulk of the customers would be.

7 MR. BOB PETERS: It seems that the
8 revenue-to-cost percentage -- and let's stick with the
9 General Service Large greater than a hundred (100) -- at
10 244 percent is a significant imbalance, particularly when
11 the energy side shows the opposite, where the energy
12 costs aren't fully recovering the allocated costs.

13 MR. ROBIN WIENS: Okay, Mr. Peters. I'm
14 -- I'm going to agree with you that it is an imbalance,
15 and it certainly looks significant on this page. But I'd
16 like to put a little bit of context around that as well.

17 The energy costs that are in that number
18 are based on the sum of the embedded generation costs --
19 100 percent of the generation costs -- which, of course,
20 includes the gross costs of generation less whatever
21 export revenue may be applied to it.

22 The demand rate or the demand costs --
23 allocated costs -- are based only on transmission.

24 Now, prior to 2006, you will recall that
25 we allocated generation costs on a different basis than

1 we're doing today. We allocated approximately 38 to 40
2 percent, I believe, of generation costs as being demand-
3 related.

4 Today we tie them to time-differentiated
5 energy, so there is a bit of a peak consideration in
6 there, but it's based on energy.

7 So the five dollars and forty cents
8 (\$5.40) that you see as the revenue, at the time that
9 rate was actually established would have related to a
10 different grouping of costs, other than the two dollars
11 and twenty-one cents (\$2.21).

12 So, yes, I agree with you. If we are
13 going to recover all of our generation costs based on
14 energy charges, then the remaining demand-related costs
15 for this class are about two dollars and twenty-one cents
16 (\$2.21), and it's well below the demand charge that
17 they're being charged today.

18 That's a legacy charge.

19 MR. BOB PETERS: Your answer suggests to
20 the Board, Mr. Wiens, that if you had to re-calculate
21 that demand March '07 rate revenue using revised figures,
22 it wouldn't be the five forty (540). It would be -- it
23 would be lower than that, so the imbalance wouldn't be as
24 great.

25 MR. ROBIN WIENS: Well, the rate is still

1 set at five forty (540), and that's why the comparison is
2 made that way.

3 But if we were to have a wholesale
4 redesign of rates based on current cost of service
5 methodology, there would be -- there would probably be
6 some significant changes made, or at least established as
7 targets.

8 MR. BOB PETERS: And when you talk about
9 a "wholesale redesigning of rates," one (1) method to do
10 that would be -- it could be done in a way that is
11 revenue-neutral to the Corporation -- to Manitoba Hydro.

12 MR. ROBIN WIENS: Yes, it could.

13 MR. BOB PETERS: It wouldn't necessarily
14 be revenue-neutral to the customers.

15 MR. ROBIN WIENS: It would certainly not.

16 MR. BOB PETERS: There would be winners,
17 there would be losers in the vernacular.

18 MR. ROBIN WIENS: Yes.

19 MR. BOB PETERS: The losers having to pay
20 more on their bill as a result of the rebalancing of
21 demand and energy costs.

22 MR. ROBIN WIENS: The losers would be
23 those customers that had a load factor higher than
24 average, which means that they use more energy per kVA
25 relative to the average.

1 MR. BOB PETERS: Could it be said today,
2 Mr. Wiens, that those customers with the below average
3 load factor are, in essence, subsidizing the customers
4 with above average load factors?

5 MR. ROBIN WIENS: I -- I don't like to
6 use that term because the rates are what they are. And
7 they're based in significant part on history, and some of
8 that history is changing and the rates haven't caught up
9 with it. But that -- for these cust -- for this customer
10 class today, a lower demand charge could certainly be
11 justified in light of the current Cost of Service Study.

12 I -- I will point out though, and this may
13 be more circumstance, coincidence, than anything else,
14 but if you look at the marginal cost of transmission, it
15 is not a lot different from that five dollars and forty
16 cents (\$5.40).

17 MR. BOB PETERS: And the Board will find
18 that from a previous document that we looked at that I --
19 that escapes me right now in terms of number.

20 MR. ROBIN WIENS: I think it was fifty-
21 four (54), Mr. Peters. So we're basing our -- our
22 transmission marginal cost here on a number that is
23 sixty-seven dollars and seventy-five cents (\$67.75) per
24 kilowatt. So I think if you allow for a certain amount
25 of diversity and then divide by twelve (12), you will not

1 be far off the five dollars and forty cents (\$5.40).

2 MR. BOB PETERS: You're ahead of me too
3 far here, Mr. Wiens. I got to reign you back. Show me
4 please on book of document, Tab 54 which was Appendix
5 11.2 where you've come up with your marginal cost
6 calculation for transmission, and how you just came up
7 with those numbers.

8 MR. ROBIN WIENS: Well, the unit marginal
9 cost for transmission is shown in footnote Number 3. I -
10 - I am referring to Tab 54, the second page. No, it is
11 Tab 54. In my book, it is Tab 53.

12 MR. BOB PETERS: Continue, Mr. Wiens,
13 please.

14 MR. ROBIN WIENS: Now you'll look at the
15 footnote Number 3, at the bottom of the page, and it is
16 indicating for 2008/2009 transmission marginal cost is
17 sixty-seven dollars and seventy-five cents (\$67.75) per
18 kWCP for General Service Large over a hundred (100) kV.
19 CP refers to "coincident peak."

20 You probably have a diversity factor in
21 the order of a 110 percent, so it would be maybe 10
22 percent lower than that on a -- on a billed kVA basis, 10
23 percent lower than that. So if you divide that by twelve
24 (12), you're probably looking at somewhere around five
25 dollars (\$5).

1 (BRIEF PAUSE)

2

3 MR. BOB PETERS: Mr. Wiens, when we
4 looked last at marginal cost a few minutes ago, I tried
5 to get you to agree with me that if you use marginal
6 costing you would over recover from what your embedded
7 cost of service tells you your costs are.

8 And I think your answer in my summary was,
9 yes, it would mathematically, but it's an entirely
10 different methodology.

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

12 MR. BOB PETERS: And then the -- and then
13 the issue that arises from that is what do you do with
14 the -- with the windfall.

15 MR. ROBIN WIENS: The policymakers decide
16 that.

17 MR. BOB PETERS: All right.

18 MR. ROBIN WIENS: My -- my point here,
19 only, is, Mr. Peters, that the -- the comparison of the -
20 - today's rate and the embedded cost, I -- I think you
21 have to look at a lot more than that.

22 If -- if there was a concern in rate
23 design that we were very short of transmission capacity
24 and it was a problem, you might want to consider not
25 collecting any more revenue, but balancing how you

1 collect it towards the transmission side. So you might
2 want to have a price close to marginal cost, or at least
3 above embedded cost for demand.

4 Conversely, if there is a concern more
5 about conserving energy than conserving capacity, maybe
6 the two twenty-one (221) is even too high.

7 MR. BOB PETERS: You were wearing you
8 economist's hat there for a minute, Mr. Wiens.

9 You're -- you're suggesting that by
10 adjusting energy, as opposed to capacity costs or demand
11 costs, that you can send the signals that, from a policy
12 perspective, the Corporation would want to send?

13 MR. ROBIN WIENS: That's -- that's
14 correct.

15 MR. BOB PETERS: I want to turn to the
16 next directive from Board Order 117/'06, and that was
17 Directive 4(d), where the Board was looking for a report
18 and recommendations to introduce inverted rates for
19 large-volume consumption customers, including winter
20 ratchet considerations.

21 When I deal with -- with this directive
22 from the Board, this actually was a suggestion that came
23 out of -- was it the 2005 NERA report?

24 Do you recall that?

25 MR. ROBIN WIENS: Yes, we did look at

1 both inverted and time-of-use rates in that report.

2 MR. BOB PETERS: From the filing before
3 the Board, the only express inverted rate for the large-
4 volume consumption customer relates to the General
5 Service Large and the above baseline energy charge that
6 we talked about?

7 MR. ROBIN WIENS: That's correct.

8 MR. BOB PETERS: What consideration is
9 included with respect to the winter ratchet in that rate,
10 if any?

11 MR. ROBIN WIENS: Nothing has changed,
12 Mr. Peters.

13 MR. BOB PETERS: Is there a plan to -- to
14 make any changes or consider changes relative to the
15 winter ratchet?

16

17 (BRIEF PAUSE)

18

19 MR. ROBIN WIENS: Mr. Peters, I think
20 we've said in the past that if we were going to change
21 the winter ratchet, that we need to have some sort of
22 pricing mechanism that allows us to accomplish something
23 along the same lines. Most likely that would be a time-
24 of-use rate that could capture the same considerations
25 through an energy charge, rather than through a demand

1 charge or a ratchet.

2 MR. BOB PETERS: When we talk "winter
3 ratchet," let's just remind the Board that that's a
4 mechanism that's to help recover demand costs of the
5 Corporation?

6 MR. ROBIN WIENS: Yes, it's a mechanism
7 that is intended to recognize that some types of loads
8 impose -- impose a higher cost. Some types of demands
9 impose a higher cost if the demand is concentrated, for
10 example, in the coldest months of the year.

11 MR. BOB PETERS: You need to have
12 capacity to take the electricity to those customers that
13 are putting that higher demand on the Company?

14 MR. ROBIN WIENS: Well, the distribution
15 system particularly is a winter-peaking distribution
16 system throughout most of Manitoba Hydro service
17 territory. And if the -- if you design for the winter
18 loads, you have adequate capacity for the rest of the
19 year.

20 So historically, Manitoba Hydro, and many,
21 many other utilities, have set minimum billing demand
22 based on some percentage of what demand was in that month
23 so that customers who may be highly skewed toward the
24 winter months and, say, go away for the months of May to
25 October, that the ratchet will recognize in those months

1 the fact that these customers were most active in the
2 months where capacity is most likely to be constrained.

3 MR. BOB PETERS: You want to exact the
4 greatest amount of recovery of capacity costs through the
5 demand charge to those customers who are incurring it?

6 MR. ROBIN WIENS: Yes.

7 MR. BOB PETERS: And the way it's
8 presently done is that those demand rates that we saw
9 when we looked at the rate schedules are set, and a
10 consumer will pay either the demand based on their actual
11 billing, but they'll pay no less than 70 percent of what
12 their demand is billed in the highest month of winter
13 demand.

14 MR. ROBIN WIENS: Their highest demand is
15 established during the months of December, January and
16 February.

17 MR. BOB PETERS: And the highest demand
18 in December, January or February will set the bar, if you
19 will, as to what the ratchet will come down to 70 percent
20 of that for the months where they don't incur over the
21 actual 70 percent amount.

22 MR. ROBIN WIENS: Yes, in the rest of the
23 months of the year if their demand falls below -- their
24 actual demand falls below 70 percent, they will be billed
25 on the basis of 70 percent.

1 MR. BOB PETERS: So, conceptually again,
2 it's the customers who are driving capacity costs to
3 Manitoba Hydro who are going to have to pay for that, not
4 only in the winter months, but in the summer months by
5 paying a much higher demand than they're actually using
6 in those months.

7 MR. ROBIN WIENS: Yes, that's true, if
8 they fall below the 70 percent.

9 MR. BOB PETERS: The ratchet used to be
10 80 percent and it was ratcheted down to 70 percent?

11 MR. ROBIN WIENS: Yes.

12 MR. BOB PETERS: Was there not an
13 intention on Manitoba Hydro's side to -- to eliminate it
14 totally?

15 MR. ROBIN WIENS: At one (1) point a
16 number of years ago, we were looking at phasing the
17 ratchet out and phasing in seasonally differentiated
18 demand and energy rates.

19 MR. BOB PETERS: Where's Manitoba Hydro
20 at in that consideration?

21 MR. ROBIN WIENS: Well, it's still
22 something that we do want to look at, but we have not got
23 a concrete proposal as of yet.

24 MR. BOB PETERS: I'll take that as still
25 studying it.

1 (BRIEF PAUSE)

2

3 MR. BOB PETERS: Still a work in progress
4 to study?

5 MR. ROBIN WIENS: It -- it is, Mr.
6 Peters. We -- we do have concerns about moving away from
7 the ratchet without bringing on an alternate rate
8 structure that is going to achieve the same thing.

9 Some parts of our distribution system are
10 tight today, and we would not want -- well, we can't
11 guarantee it will happen. We would not want to let
12 demand run away on those until we've either got an
13 alternative -- an alternative price signal in place, or
14 the distribution has been strengthened.

15 MR. BOB PETERS: Wouldn't the impact on
16 the Manitoba Hydro bottom line be relatively modest by
17 eliminating the ratchet?

18 MR. ROBIN WIENS: Mr. Peters, you're
19 correct, but the bottom line impact is -- is not the
20 principal consideration here.

21 MR. BOB PETERS: Okay. I -- I --

22 MR. ROBIN WIENS: And if our worst fears
23 came to be realized, then there would be a bottom line
24 impact in the future that could be considerably more than
25 what the ratchet revenue is giving today.

1 MR. BOB PETERS: The ratchet revenue is
2 what order of magnitude -- \$3 million?

3 MR. ROBIN WIENS: It's \$3 million;
4 possibly less.

5 MR. BOB PETERS: Mr. Wiens, when I --
6 when I reflect on your answer to me about those who cause
7 the distribution system and the capacity requirements
8 that are needed to be served in the winter months to have
9 to pay for it through the ratchet, doesn't that same
10 logic apply to residential customers because their demand
11 is generally winter weighted?

12 MR. ROBIN WIENS: In some parts of our
13 system it is. And -- and -- and yes, you are correct in
14 that the same logic might apply, but we don't have demand
15 charges for residential customers.

16 And for this -- given the size of the
17 loads that most of our residential customers, it's
18 probably not worthwhile doing it.

19 MR. BOB PETERS: It's worthwhile rolling
20 it into the energy charge?

21 MR. ROBIN WIENS: That's what we do, and
22 if we had a seasonal energy charge, that could help us
23 get the same signal to the residential customers as well.

24 MR. BOB PETERS: All right, a seasonal
25 energy charge, just conceptually, is where one (1) season

1 is priced more expensively than the other?

2 MR. ROBIN WIENS: Yes.

3 MR. BOB PETERS: And for Manitoba, the
4 season where there's white ground covering would be more
5 expensive than when it's green.

6 MR. ROBIN WIENS: In most of our service
7 area, Mr. Peters, not all of it.

8 MR. ROBERT MAYER: But certainly where I
9 come from, where I don't even have an option to deal with
10 my heat --

11 MR. ROBIN WIENS: Very definitely, Mr.
12 Mayer, where you come from.

13 MR. ROBERT MAYER: And we're -- we're now
14 getting into an area that is of particular concern to me,
15 of course, because -- we're not going there yet, I take
16 it. This is a concept in the future -- these variable
17 rates per season.

18 MR. ROBIN WIENS: We're not there yet,
19 Mr. Mayer.

20

21 CONTINUED BY MR. BOB PETERS:

22 MR. BOB PETERS: We're also not at the
23 point where time-of-use rates for nonresidential
24 customers, particularly large volume customers, is a
25 consideration that's before this Board?

1 MR. ROBIN WIENS: It's not a
2 consideration for this Board at this time.

3 MR. BOB PETERS: And that was a matter
4 that was in tab of doc -- or book of documents, Tab 53,
5 item number 4(e) was from this Board wondering if there
6 would be a report and recommendations to establish time-
7 of-use rates for nonresidential customers, particularly
8 large volume customers.

9 And you're saying that it's not before
10 this Board. Is it being studied by Manitoba Hydro?

11 MR. ROBIN WIENS: Mr. Peters, what we --
12 we did not file a specific proposal with respect to time-
13 of-use rates, but we did file some information which
14 suggested that we -- we need to give that some
15 consideration.

16 MR. BOB PETERS: Would you agree that
17 time-of-use rates, particularly for the large volume
18 customers, would allow Manitoba Hydro to maximize its
19 export revenues?

20 MR. ROBIN WIENS: That would be
21 directionally true.

22 MR. BOB PETERS: And it would be
23 directionally true because it would allow domestic
24 customers access to cheap power during non-peak times?

25 MR. ROBIN WIENS: "Cheap" is a relative

1 term, Mr. Peters. It -- it would allow them to have to -
2 - to access power at a -- at a more advantageous rate
3 during the off-peak than during the on-peak.

4 MR. BOB PETERS: And that follows through
5 that that would then free up more electricity, perhaps at
6 the -- at -- in the peak times, where Manitoba Hydro
7 could export it for -- for its highest value?

8 MR. ROBIN WIENS: Mr. Peters, that --
9 again, that is directionally correct. It would depend on
10 the ability of those facing that type of a rate schedule
11 to respond to it. Some may be able to respond to it in
12 large degree; some may not be able to respond at all.

13 MR. BOB PETERS: Has that been studied by
14 the Corporation, or can you -- can you -- I mean, I
15 appreciate you've raised both sides of the issue, but do
16 we know whether any of the large volume customers would
17 find that advantageous?

18 Have you surveyed them or asked them?

19 MR. ROBIN WIENS: No, we have not. You
20 know, just off the -- just -- just with -- with available
21 information, you know, there are some customers who
22 operate round the clock. So, in order for them to be
23 able to take advantage of a rate like this, they would
24 have to build in some ex -- extra capacity to be able to
25 run at a higher -- higher rate of energy consumption

1 during the off peak.

2 For those customers who may operate on
3 only one (1) or two (2) shifts, they would have to have
4 the flexibility to move their loads, and that would
5 depend on their conditions of -- of, you know, how they -
6 - how they manage their other inputs to production
7 including their labour.

8 So there would have to be some -- in -- in
9 order to be able to identify that, there would have to be
10 some significant discussion with the customers who might
11 be able to take advantage of it.

12 MR. BOB PETERS: And I appreciate those -
13 - those parameters you put on it, Mr. Wiens, but it would
14 really be for the customer to roll up its collective
15 sleeves and figure out what would be best for them if
16 there were time-of-use rates.

17 MR. ROBIN WIENS: Well, if the time-of-
18 use rates were put in place tomorrow, or on Tuesday, yes,
19 the -- the customer would see that and they would say,
20 Well now I have to make some changes. But we -- we don't
21 know whether the customers -- whether and to what extent
22 the customers are able to make those changes today.

23 MR. BOB PETERS: And you're not studying
24 that from the sounds of things either.

25 MR. ROBIN WIENS: We certainly intend to

1 -- to be more vigorous about it, but we -- we are -- we
2 are not actively studying it right now.

3 MR. BOB PETERS: How long would it take
4 to -- to study that and bring that back for discussion or
5 perhaps implementation of a time-of-use rate for the non-
6 residential customers, particularly the large volume
7 ones?

8 MR. ROBIN WIENS: I think we've provided
9 some estimates of that in our filing, and we were talking
10 in the range of twelve (12) to eighteen (18) months.

11 I might add, Mr. Peters, that another
12 constraint on the extent to which time-of-use rates can
13 be beneficial for Manitoba Hydro and its customers is the
14 extent to which the transmission lines may or may not be
15 full loaded.

16 In years past, and not that many years
17 past, we were looking at some significant periods in
18 which the transmission lines were loaded in the off-peak.

19 As domestic load grows, it becomes -- you
20 have less to export, so the constraints may not be in
21 place for the duration that they have been in the past.

22 Three (3) or four (4) years ago we had
23 some considerable debate over whether time-of-use rates
24 would be beneficial at all. More recently, the stars
25 seem to be aligning that it might be something that we

1 want to take a much closer look at.

2 MR. BOB PETERS: Does that answer imply
3 that time-of-use rates would be adjusted around when
4 Manitoba Hydro finds it has capacity to export during
5 peak time?

6 MR. ROBIN WIENS: That -- that would be a
7 more specialized type of rate that -- my guess would be
8 that you wouldn't necessarily have a lot of interest in
9 it. Most time-of-use rates designed for large customers,
10 or any customers for that matter; if they are looking at
11 two (2) or three (3) possibly three (3) major time
12 periods during the day and perhaps a couple or four (4)
13 season, are just that; they're firm rates, and the
14 customer has an expectation that that rate is going to be
15 available.

16 There are types of rate design that --
17 that could take that into consideration, they're more
18 specialized and they are likely to be fewer customers who
19 are willing or able to take advantage of them, and I'm
20 thinking of things like real-time pricing.

21 MR. BOB PETERS: Real-time pricing is a
22 logical extension of time-of-use rates?

23 MR. ROBIN WIENS: Well, you have extreme
24 sports and then you have extreme time-of-use rates;
25 that's RTP.

1 MR. BOB PETERS: Okay, I've got your
2 point. Let's try to finish before the afternoon recess,
3 three (3) more matters.

4 In Board Order 117/'06, Directive 4F, the
5 Board was inquiring about a report with respect to
6 consultations with the City of Winnipeg concerning
7 customer accounts and overall cost allocations to the
8 street lighting customer class.

9 That had to do with the area and roadway
10 lighting customer class of which the City is a major
11 customer.

12 MR. CHIC THOMAS: Yes, and we have had
13 consultation with the City. We met last summer. They
14 had provided us some additional Information Requests that
15 -- that they wanted to know and we had met over that,
16 and have -- have more requests that we are fielding for
17 the City of Winnipeg and plan to meet again this summer
18 at a mutually agreeable time.

19 MR. BOB PETERS: The essence of this
20 concern is that, in round numbers, the City of Winnipeg
21 believes it's currently being over-charged approximately
22 four hundred thousand dollars (\$400,000) based on the
23 Cost of Service Study for area and roadway lighting?

24 MR. DOUG BUHR: Excuse me, that's six
25 (6).

1 MR. BOB PETERS: Clarify the amount for
2 us, Mr. Thomas, that you believe is in -- in dispute.

3 MR. CHIC THOMAS: What was the exact
4 number you were quoting again? I'm sorry, I got
5 distracted.

6 MR. BOB PETERS: Let's start with -- in -
7 - in this application that's before the Board in the
8 Proof of Revenue document, the area and roadway lighting,
9 if your application was approved for a 1 percent
10 increase, would see an additional two hundred thousand
11 dollars (\$200,000) being charged to that class, correct?

12 MR. CHIC THOMAS: That's correct.

13 MR. BOB PETERS: And one (1) of the
14 concerns that the City of Winnipeg has raised is that,
15 Hold on there, before you even think of charging a 1
16 percent increase, what about the fact that our revenue-
17 to-cost ratio, we're already paying more than our
18 embedded costs at this point in time?

19 MR. CHIC THOMAS: That's the primary
20 contention, yes.

21 MR. BOB PETERS: And is that -- is that
22 additional amount that the City says they're paying over
23 their embedded costs, currently, is that six hundred
24 thousand (600,000)?

25 MR. CHIC THOMAS: Subject to check, I

1 think that's correct, yes.

2 MR. DOUG BUHR: If I can assist, if you
3 look at my questions or the City of Winnipeg questions to
4 Hydro 1-3(d):

5 "The City pays approximately six
6 hundred and twenty thousand (620,000)
7 per year more than revenues required to
8 yield an RCC of 100 percent."

9

10 CONTINUED BY MR. BOB PETERS:

11 MR. BOB PETERS: So it's no longer
12 subject to check, it's been checked? Thank you, Mr.
13 Buhr. And I'm sure you'll hear more of that, although
14 not today.

15 Can -- and I -- and I appreciate we may be
16 sensitive to negotiations that are ongoing and -- and
17 I'll leave it for Mr. Buhr to -- to delve into the depth
18 he chooses to that, but when -- when Manitoba Hydro and
19 the City are talking about that, Manitoba Hydro's got a
20 problem because their Cost of Service Study has
21 traditionally shown that the area and roadway lighting
22 class is being allocated on a basis where its revenue-to-
23 cost coverage ratio is -- puts it outside the zone of
24 reasonableness.

25 MR. CHIC THOMAS: That's what past

1 results have shown, yes.

2 MR. BOB PETERS: And that's what current
3 results show?

4 MR. CHIC THOMAS: At one-o-five point
5 eight (105.8), yes, that's correct.

6 MR. BOB PETERS: And -- and -- all right,
7 we'll come to that. But one-o-five point eight (105.8)
8 just puts you on the outside of the zone of
9 reasonableness is what you're suggesting?

10 MR. CHIC THOMAS: Yeah, that current zone
11 of reasonableness is currently ninety-five (95) to one-o-
12 five (105).

13 MR. BOB PETERS: And so the negotiations
14 are ongoing or the consultations are ongoing. It strikes
15 me that meeting once a year isn't exactly an intense
16 negotiation or discussion.

17 MR. CHIC THOMAS: I won't characterize it
18 one (1) way or the other, Mr. Peters, but -- but
19 certainly you can appreciate the fact that Mr. Buhr and
20 his people are busy, and Manitoba Hydro and their people
21 are busy, and finding a time that's agreeable to all
22 parties can be sometimes very difficult.

23 MR. BOB PETERS: All right. Well, we'll
24 -- before we leave this, there is no report forthcoming.
25 Your response to this directive is -- is -- appears to be

1 simply, We've had at least one (1) meeting, we've had
2 some questions, and even though we've gone that far, we
3 think that a 1 percent increase would be appropriate for
4 the area and roadway lighting.

5

6

(BRIEF PAUSE)

7

8

MR. VINCE WARDEN: Yes.

9

MR. BOB PETERS: And --

10

MR. ROBIN WIENS: Mr. -- Mr. Peters, I --
11 I would like -- I would like to add here that the City of
12 Winnipeg and Mr. Buhr can choose to characterize this the
13 way he would like, but Manitoba Hydro and the City of
14 Winnipeg, the -- the consultation that has occurred, to
15 date, has been on a wider range of matters than just what
16 is in here.

17

MR. ROBERT MAYER: Mr. Wiens, the area
18 and roadway lighting portion of this discussion, how much
19 of that relates solely to the City of Winnipeg or -- and
20 in other words, what percentage of it comes from the City
21 of Winnipeg and what from the rest of the province?

22

MR. CHIC THOMAS: Mr. Mayer, the
23 information that we have, and again, we're relying on old
24 zonal distinctions, but given that that's a fair
25 approximation, we estimate that about 68 percent is

1 related to Zone 1. Now, there's a small portion of that
2 which is related to the Department of Highways, but the
3 bulk of that would be the City of Winnipeg.

4 MR. ROBERT MAYER: Thank you.

5

6 CONTINUED BY MR. BOB PETERS:

7 MR. BOB PETERS: Does Manitoba Hydro
8 agree that it has applied different rate design
9 principles in this application dealing with area and
10 roadway lighting than it has with all other customer
11 classes?

12 MR. CHIC THOMAS: We also have a flat
13 rate water heating rate as well, which is how we bill the
14 City of Winnipeg. Each -- each light is on a flat rate
15 as opposed to an energy rate.

16 MR. BOB PETERS: Okay.

17 MR. CHIC THOMAS: Sorry, did I
18 misunderstand yet again?

19 MR. BOB PETERS: I -- I heard something
20 flying overhead, and I just wasn't sure what it was. But
21 let me start over.

22 When -- when the Board looks at the Proof
23 of Revenue at Tab 52, they go down the right-hand column,
24 and they see that you're sticking to this approximate
25 2.8/2.9 percent overall increase that your revenue

1 requirement panel spoke of.

2 And yet out jumps the 1 percent for area
3 and roadway lighting, which implies you've used different
4 rate design principles in establishing a rate increase
5 for this class than you have for every other class.

6 MR. CHIC THOMAS: Well, I think it's also
7 in recognition of the fact that our -- that our revenue
8 cost coverage ratios have been -- have shown results in
9 the past that are above that zone of reasonableness. So
10 within the constraints of our rate increase proposed, we
11 -- we decided that 1 percent might be appropriate.

12 MR. BOB PETERS: Well, to keep Ms.
13 McCaffrey away from the microphone, what -- how can you
14 say that when the General Service Large greater than 100
15 KV class has traditionally likewise been outside the zone
16 of reasonableness on this -- on the -- indicating their -
17 - their revenues exceed their costs, and yet in this
18 Application, not only did they get the 2.9 percent
19 increase, but they also get introduced to marginal cost
20 rates?

21 MR. ROBIN WIENS: Mr. Peters, in the case
22 of the area and roadway lighting class, we -- we have a
23 number that comes out of the Cost of Service Study that
24 is the methodology to which we were directed. That's
25 105.8.

1 revenue, eight hundred and ninety-two thousand dollars
2 (\$892,000) gets credited or -- credited to the area and
3 roadway lighting class?

4 MR. CHIC THOMAS: That's the number, yes.

5 MR. BOB PETERS: And that's based on
6 total costs in Column 1 of about \$19.6 million, correct?

7 MR. CHIC THOMAS: That's the total
8 allocated -- or the total allocated and direct costs. As
9 we've discussed in previous proceedings, export revenues
10 are only allocated on allocated costs.

11 With the -- with the area and roadway
12 lighting class, because we can identify specifically the
13 -- the end-use costs of that class, they do not get a
14 portion of the export revenue.

15 MR. BOB PETERS: Okay. I just want to
16 make sure the Board's going to follow that, because I --
17 I looked at area and roadway lighting and then I compared
18 it to diesel -- not because Mr. Anderson's not here.

19 But I see -- I see the diesel cost of
20 service -- the costs are about \$11.5 million, correct?

21 MR. CHIC THOMAS: Yes.

22 MR. BOB PETERS: And they're getting
23 \$1.54 million of net export credit?

24 MR. CHIC THOMAS: Yes.

25 MR. BOB PETERS: And when we go to the

1 area and roadway lighting, their costs are almost twice -
2 - or not quite, but twice as much.

3 And yet they're only getting almost -- a
4 little bit more than half (1/2) the allocation of export
5 revenue?

6 MR. CHIC THOMAS: Yes, that --

7 MR. BOB PETERS: Is -- is -- that's
8 correct?

9 MR. CHIC THOMAS: That's -- that's
10 correct.

11 MR. BOB PETERS: And the answer you're
12 telling the Board is because not only are there allocated
13 costs to the area and roadway lighting, but there are
14 other direct costs?

15 MR. CHIC THOMAS: Disproportionately,
16 compared to other classes, more direct costs to the area
17 and roadway lighting class.

18 MR. BOB PETERS: Could you provide a
19 written breakdown of that \$19.6 million to show where
20 that disproportion comes in, in terms of what allocations
21 are the generation/transmission/distribution allocations,
22 as per other classes, and which ones are the -- the ones
23 that stick out differently?

24 MR. CHIC THOMAS: Yes, we can do that.
25 As a matter of fact -- yeah, yes. We'll undertake to do

1 that, Mr. Peters.

2

3 --- UNDERTAKING NO. 66: Manitoba Hydro to provide
4 Board a written breakdown of
5 the \$19.6 million to show
6 what allocations are the
7 generation/ transmission/
8 distribution allocations, as
9 per other classes, and which
10 ones are the ones that stick
11 out differently for roadway
12 and area lighting

13

14 CONTINUED BY MR. BOB PETERS:

15 MR. BOB PETERS: I want to ask about the
16 -- the report the Board requested --

17 MR. CHIC THOMAS: Excuse me, Mr. Peters,
18 just - just so we're clear on that undertaking are you
19 looking just for the area and roadway lighting class or
20 all classes?

21 MR. BOB PETERS: No, just area and
22 roadway lighting.

23 MR. CHIC THOMAS: Thank you.

24 THE CHAIRPERSON: Maybe, Mr. Peters,
25 before you go on we might as well take our break now?

1 MR. BOB PETERS: Fair enough. Thank you,
2 Mr. Chairman.

3

4 --- Upon recessing at 2:56 p.m.

5 --- Upon resuming at 3:20 p.m.

6

7 THE CHAIRPERSON: Okay, folks. If we
8 could get underway again, because we will have to shut
9 down at 4:00 again, with travel arrangements.

10

11 CONTINUED BY MR. BOB PETERS:

12 MR. BOB PETERS: Thank you, Mr. Chairman.
13 I wanted to conclude on two (2) other aspects of Order
14 177/'06, which was found at Tab 53 of the book of
15 documents.

16 The Board's directive on 4(h) was to
17 report with respect to consultations with MKO and federal
18 government with respect to MKO's proposal for additional
19 sharing of net export revenue and MKO communities' rates
20 should be reduced to remove certain mitigation costs.

21 Do you recall this directive?

22 MR. ROBIN WIENS: I do, Mr. Peters.

23 MR. BOB PETERS: And briefly, Mr. Wiens,
24 the -- the essence of this came out of -- out of the
25 General Rate Application and the Cost of Service Review.

1 There was a suggestion from my -- from MKO
2 that there should be additional sharing of net export
3 revenues.

4 Do you remember that?

5 MR. ROBIN WIENS: I do recall it.

6 MR. BOB PETERS: And the premise for that
7 request was what?

8 MR. ROBIN WIENS: As I understand it, the
9 premise for that request was that some of these
10 communities had been affected by the development of the
11 waterways, and mitigation payments had been made in
12 respect of those impacts.

13 As I understand it, Mr. Anderson didn't
14 feel that the people in those communities should have the
15 mitigation portion of the rate included in the charges to
16 them. That is my understanding.

17 MR. BOB PETERS: All right. And put
18 another way, and maybe in my words, if the mitigation
19 costs are going to certain beneficiaries, they shouldn't
20 be funding what they're receiving.

21 That was another way to look at it?

22 MR. ROBIN WIENS: At a very high level,
23 yes, understanding, of course, that there are a small
24 portion of the customers in Manitoba who are funding
25 those mitigation costs. But the mitigation costs are all

1 -- or the mitigation payments are all going to that
2 relatively small number of communities.

3 MR. BOB PETERS: Has there been any
4 quantification of this -- of this theory, in terms of
5 what that would impact on rates?

6 What would the rate impact be?

7 MR. ROBIN WIENS: Well, Mr. Peters, we
8 have not done that. I suspect it would be a pretty small
9 number, but we have not done that. We attempted to
10 initiate the consultation, but we were not successful.

11 MR. BOB PETERS: So, no further steps
12 have been taken by Manitoba Hydro with respect to that?

13 MR. ROBIN WIENS: No, sir.

14 MR. BOB PETERS: Can you indicate why the
15 consultations never occurred?

16 MR. ROBIN WIENS: No, sir, I can't. I
17 can only say that we communicated with the -- the parties
18 identified in the directive, and we suggested meeting,
19 and we did not get a response.

20 MR. BOB PETERS: All right. So while you
21 don't know the reasons the meeting never took place, it's
22 -- you're not -- you're not under any confidentiality
23 agreement or otherwise to explain to the Board that
24 attempts were made, but it never came to fruition for
25 even the first step?

1 MR. ROBIN WIENS: We didn't meet on it,
2 Mr. Peters, so we couldn't have signed any
3 confidentiality agreements.

4 MR. BOB PETERS: No, I gathered that, but
5 not until your second-last answer to me.

6 The last item in Board Order 117/'06 that
7 I wanted to just update the Board on was a report on
8 recommendations with respect to customer class
9 consolidation options and appropriate rate differentials
10 for various customer subclasses.

11 Do you recall this recommendation?

12 MR. ROBIN WIENS: Yes.

13 MR. BOB PETERS: And, Mr. Thomas, you've
14 indicated that the General Service Small demand class and
15 the General Service Medium are lining up to be
16 consolidated, but at this point in time are not yet
17 consolidated?

18 MR. CHIC THOMAS: Yes, I did.

19 MR. BOB PETERS: Does that answer imply
20 that there will be a consolidation of these classes in --
21 in a future rate application?

22 MR. CHIC THOMAS: Either a future
23 application or further applications, yes.

24 MR. BOB PETERS: And can you indicate to
25 the Board, is it the -- do you need further additional

1 rate increases to streamline this process, or is there
2 some other impediment to doing it earlier?

3 MR. CHIC THOMAS: Yeah, it's just based
4 on the rate increases that we're proposing on a year --
5 or with each application.

6 MR. BOB PETERS: And is the consolidation
7 amongst -- or between General Service Small demand and
8 General Service Medium the only consolidation that's
9 being examined by Manitoba Hydro?

10 MR. ROBIN WIENS: At this time, yes.

11 MR. BOB PETERS: I want to turn to a new
12 topic, and that -- that will be a discussion more of the
13 Prospective Cost of Service Study for '08.

14 And the reason it's a Proc -- a
15 Prospective Cost of Service Study is -- is based on
16 anticipated future costs and revenues, correct?

17 MR. CHIC THOMAS: That's right.

18 MR. BOB PETERS: And one of the reasons
19 you do it is to find out from a corporate perspective how
20 the costs are being allocated amongst the various
21 customer classes that you have and to provide the
22 Corporation with some reference point as to whether its
23 rates are fair?

24 MR. CHIC THOMAS: Yes, that's -- that's
25 right.

1 MR. BOB PETERS: In terms of the process,
2 we're not going to go through that in any detail of
3 significance, but all the costs are first functionalised
4 into ostensibly five (5) main groups.

5 Would you agree?

6 MR. CHIC THOMAS: Yes.

7 MR. BOB PETERS: And those groups are
8 generation, transmission, subtransmission, distribution
9 plant, and customer services, correct?

10 MR. CHIC THOMAS: Yes, that's right.

11 MR. BOB PETERS: And I think we heard
12 earlier customer services is also known as distribution
13 services?

14 MR. CHIC THOMAS: Yes.

15 MR. BOB PETERS: All right. And to that
16 end, every time Manitoba Hydro incurs a cost, somebody
17 has to figure out what function that cost will go into,
18 correct?

19 MR. CHIC THOMAS: That's what Ms. Arnal
20 is studiously learning at the moment, yes.

21 MR. BOB PETERS: Maybe she should be over
22 here helping me.

23 Once the costs are put into their five (5)
24 functions, they then have to then be classified?

25 MR. CHIC THOMAS: Yes.

1 MR. BOB PETERS: And skipping through
2 that process, which would -- would take longer to do than
3 -- than we need to today, the classified costs then get
4 allocated to the respective customer classes?

5 MR. CHIC THOMAS: Yes, that's right.

6 MR. BOB PETERS: And the end result is a
7 revenue-to-cost ratio theory where if costs equal the
8 revenues, it'll -- it'll be a ratio of one point zero
9 (1.0)?

10 MR. CHIC THOMAS: Yes.

11 MR. BOB PETERS: And what we do know is
12 that when Manitoba Hydro proposes a rate increase to
13 recover its revenue requirement, they want to recover
14 100 percent of that revenue requirement from their
15 customer classes?

16 MR. CHIC THOMAS: Yes.

17

18 (BRIEF PAUSE)

19

20 MR. BOB PETERS: If we turn to Tab 55 of
21 the book of documents and look at Schedule E-1, page 2
22 of 2, we've already seen that the -- that the costs of
23 the Corporation that we're talking about total \$1.625
24 billion, correct?

25 MR. CHIC THOMAS: Yes.

1 MR. BOB PETERS: And if we turn to book
2 of document Tab 56, that \$1.625 billion is carried
3 forward to the bottom of Column 1 as being the total cost
4 without consideration for exports?

5 MR. CHIC THOMAS: Yes.

6 MR. BOB PETERS: Now, there's a component
7 assigned to exports, but these are direct assignments at
8 this point, and they total \$190 million, correct?

9

10 (BRIEF PAUSE)

11

12 MR. CHIC THOMAS: Yes.

13 MR. BOB PETERS: Wondering, Mr. Thomas,
14 if, as a result of your oral response to an undertaking
15 earlier that dealt with the source of the numbers under
16 the chart being the Manitoba Hydro recommended
17 methodology, do any of those numbers need to now be
18 corrected?

19

20 (BRIEF PAUSE)

21

22 MR. CHIC THOMAS: As I tried to explain
23 earlier, Mr. Peters, those numbers underneath are from
24 the old methodology just as a comparison purpose in this
25 schedule. So under the old methodology those numbers

1 would be correct.

2

3

(BRIEF PAUSE)

4

5 MR. BOB PETERS: Don't want to do math on
6 the microphone, Mr. Thomas, but I -- I thought those
7 numbers underneath the Schedule B-1 totaled \$190 million,
8 which is the amount that I see directly allocated to
9 export. And that number would be -- would be incorrect,
10 because it was based on a previous methodology.

11 Have I misinterpreted that? We'll do the
12 quick math here as well, but maybe you've done it.

13 MR. CHIC THOMAS: Yeah, the math is right
14 for those costs underneath there. So, Column 1 -- so
15 what was your earlier question, just to make sure we're
16 not getting mixed up here?

17 MR. BOB PETERS: All right, and -- and
18 let's -- let's be clear, the Board is clear, so the Board
19 will be clear that export number of 190 million in Column
20 1 is the sum total of the items mentioned in the
21 footnote?

22 MR. CHIC THOMAS: Yes.

23 MR. BOB PETERS: But the footnote relates
24 to a methodology that Manitoba Hydro was recommending to
25 the Board, correct?

1 MR. CHIC THOMAS: That's correct.

2 MR. BOB PETERS: And it doesn't contain
3 all of the costs, then, that would otherwise be allocated
4 to exports.

5 MR. CHIC THOMAS: Yes, that were that --
6 that were directed in 117/'06, and I think that's what
7 Column 4 is trying to show.

8 MR. BOB PETERS: All right, I'll give you
9 a moment with Ms. Arnal. She...

10

11 (BRIEF PAUSE)

12

13 MR. CHIC THOMAS: I think I've been
14 cleared up by my understudy.

15 MR. BOB PETERS: Better to be cleared up
16 than replaced.

17 MR. CHIC THOMAS: So far.

18 MR. BOB PETERS: I told you she should be
19 on this side of the room.

20 But why don't you -- why don't you explain
21 -- you understand the -- the concern we have, Mr. Thomas,
22 is that we're looking at the export number and wondering
23 if it was calculated on an old methodology or Hydro's
24 interpretation of the newest methodology?

25 MR. CHIC THOMAS: The -- the first column

1 is just basically trying to explain how those costs would
2 have looked under a previous methodology. So there isn't
3 a direct relationship to make up this schedule relative
4 to the other one. So this is first the variable costs
5 and such that are -- are explained below.

6 And then as we go further, again it's that
7 column 4 that we're attempting to introduce those extra
8 costs that we're introducing with 117/'06. Now, the two
9 (2) aren't -- unfortunately, it doesn't come out clearly
10 in this, but the two (2) aren't directly related because
11 there are some parts of column 1 that are related to the
12 final column 8, but unfortunately, there's not a -- a
13 clear way to explain this.

14 MR. BOB PETERS: All right. But I -- I
15 think I know where you're headed, and we'll come to the
16 additional export allocations and we'll see if that'll --
17 that'll help clear it up.

18 This won't be quite as a sophisticated an
19 explanation as I'm sure Ms. Arnal had given you, but what
20 you lose on the swings in column 1, you make up on the
21 merry-go-round in column 4, and it all balances out in
22 column -- column 6 -- sorry 7, you're right, total costs.

23 MR. CHIC THOMAS: Yes, I like your words a
24 lot better, Mr. Peters.

25 MR. BOB PETERS: Well, but in essence,

1 what you're telling the Board is that you tried to show
2 what it would have looked like previously, but there were
3 some -- some things that have been ordered that have
4 changed. You've tried to reflect those ordered changes in
5 column number 4.

6 And when column 1 and column 4 are added
7 together at the bottom of column 7 for the export
8 customer, there's \$386.2 million of costs attributed to
9 the export class?

10 MR. CHIC THOMAS: Yes, that's correct.
11 Thank you.

12 MR. BOB PETERS: All right.

13

14 (BRIEF PAUSE)

15

16 MR. BOB PETERS: Any clarifications or are
17 we still okay?

18 MR. CHIC THOMAS: Yeah, we're -- we're
19 good so far.

20 MR. BOB PETERS: All right. Column 2 on
21 the book of documents, Tab 56 shows class revenue. You
22 told the Board before the afternoon recess, that that
23 class revenue number has had some of the classes inflated
24 by the amount that Hydro estimates is the uniform rate
25 adjustment?

1 MR. CHIC THOMAS: Yes, that's right.

2 MR. BOB PETERS: So when the Board looks
3 at it and says the class revenue for residential customers
4 is \$433 million, that includes approximately fourteen
5 point seven (14.7) for the uniform rate adjustment?

6 MR. CHIC THOMAS: That sounds about right,
7 yes.

8 MR. BOB PETERS: And likewise for the
9 General Service Small, there's one point seven (1.7)
10 million included in -- in that class?

11 MR. CHIC THOMAS: All except the one point
12 seven (1.7). I don't have that number at hand, but sure.

13 MR. BOB PETERS: All right. The total
14 revenue line -- column, I should say -- the total revenue
15 also includes the net income, does it not?

16 MR. CHIC THOMAS: No, it's in the cost,
17 not the revenue.

18 MR. BOB PETERS: So it's included in
19 column 1?

20 MR. CHIC THOMAS: Yeah.

21 MR. BOB PETERS: And the export revenue
22 number of \$551 million is a -- a record number that was
23 coming through from IFF-06-3?

24 MR. CHIC THOMAS: Yes, that's correct.

25 MR. BOB PETERS: And that was the -- that

1 was because the prospective Cost of Service Study for '08
2 was done before IFF '07 was prepared.

3 MR. CHIC THOMAS: Yes.

4 MR. BOB PETERS: Column 3 in this schedule
5 assumes there was no export revenue, correct?

6 MR. CHIC THOMAS: Not that there was no
7 export revenue, it's just before export revenue is
8 allocated.

9 MR. BOB PETERS: Okay, maybe that's a
10 better way to think of it because what you're showing the
11 Board is without any export revenue being allocated to the
12 class, the residential class doesn't even cover 75 percent
13 of its allocated costs.

14 MR. CHIC PETERS: Yes.

15 MR. BOB PETERS: And if the Board wanted
16 to, in one (1) stroke of the pen, bring the revenue-to-
17 cost ratio of that class up to one point zero (1.0),
18 there'd have to be a 25 percent rate increase.

19 MR. ROBIN WIENS: That's a 33 percent rate
20 increase, to go from seventy-five (75) to a hundred (100),
21 Mr. Peters.

22 MR. BOB PETERS: You are correct, but
23 you'd have to make up that -- that shortfall in the RCC --

24 MR. CHIC THOMAS: In the absence of export
25 revenue, yes.

1 MR. BOB PETERS: In column 4, it removes
2 that \$195 million from the various classes that relates to
3 the amounts assigned to the export class, correct?

4 MR. CHIC THOMAS: Yes.

5 MR. BOB PETERS: And so, does this show
6 the Board where, under previous methodologies, the costs
7 would have been found that are now being removed from
8 those classes and put over to the export class?

9 MR. CHIC THOMAS: Yes.

10

11 (BRIEF PAUSE)

12

13 MR. BOB PETERS: And the basis on which
14 you take out the export costs from those various customer
15 classes is based on the energy consumption basis for
16 generation plus the transmission capacity usage.

17 That's your test as to how you would
18 allocate -- how you would remove the cost for export.

19 MR. CHIC THOMAS: Yes. All the export-
20 related -- all the export costs do come from the
21 generation and transmission functions.

22 MR. BOB PETERS: And the point that we
23 tried to make earlier - maybe a little too lightly and we
24 shouldn't - is that the \$195 million found at the bottom
25 of column 4 is in addition to the \$190.6 million found in

1 column 1; all of which end up being the costs that go to
2 the export class.

3 MR. CHIC THOMAS: Yes.

4 MR. BOB PETERS: And those -- the column 1
5 export costs would be considered -- the column 1 export
6 class would be considered of the variable cost nature.

7 MR. CHIC THOMAS: Yes, that's right.

8 MR. BOB PETERS: And if we take the \$551
9 million of export revenues and back out the 190 million
10 and then back out the 195 million, you're left with \$165
11 million of net export revenue.

12 MR. CHIC THOMAS: That's right.

13 MR. BOB PETERS: And it's that \$165
14 million that is then shared with the domestic classes
15 based on the percentage share of those class's total
16 costs.

17 MR. CHIC THOMAS: Total allocated costs,
18 yes.

19

20 (BRIEF PAUSE)

21

22 MR. BOB PETERS: If we look specifically
23 to the residential class, they receive \$70 million of the
24 net export revenue that's now determined by the revised
25 cost of service methodology.

1 MR. CHIC THOMAS: Yes, that's correct.

2 MR. BOB PETERS: And the General Service
3 Large -- just to go to the other end of the spectrum --
4 received \$24 million of net export credit at this point.

5 MR. CHIC THOMAS: The over 100 kV
6 customer, yes.

7 MR. BOB PETERS: Yes, the over 100 kV
8 customer class -- sub-class.

9 Then column 6, for the Board's benefit,
10 simply adds together the class revenues together with the
11 net export credit revenue and provides a total revenue
12 number.

13 MR. CHIC THOMAS: Yes, that's right.

14 MR. BOB PETERS: That total revenue number
15 is then compared against the total costs, which would be
16 column 1 less column 4, and that's determined in column
17 number 7.

18 MR. CHIC THOMAS: Yes.

19 MR. BOB PETERS: Comparing column 6 to 7
20 gives you a ratio or a percentage and that percentage is
21 shown in column 8.

22 MR. CHIC THOMAS: That's right.

23 MR. BOB PETERS: And it shows that
24 residential customers are only paying, under this system,
25 96.4 percent of their allocated costs.

1 MR. CHIC THOMAS: Yes.

2 MR. BOB PETERS: But you told the Board
3 about the zone of reasonableness before the break and the
4 zone of reasonableness is a -- is, in essence, a margin of
5 error.

6 Would you agree that the zone of
7 reasonableness would be considered a margin of error?

8 MR. CHIC THOMAS: A margin of error, sure,
9 or just because it isn't an exact science, we...

10 MR. BOB PETERS: You have a range from
11 between point nine five (.95) to one point zero five
12 (1.05) in terms of a ratio that the Corporation says under
13 strict Cost of Service methodology is an acceptable range.

14 MR. CHIC THOMAS: Yes.

15 MR. BOB PETERS: Now, does that zone of
16 reasonableness change when the Corporation introduces
17 marginal costing in addition to embedded costing or does
18 the zone of reasonableness remain the same?

19 MR. ROBIN WIENS: Mr. Peters, the -- the
20 zone of reasonableness is in place in an embedded cost
21 study for a number of reasons, and one of them is that it
22 recognizes the fact that we are dealing with costs that
23 are common, and it's not an exact science, in terms of how
24 you're going allocate those to the customer classes.

25 There are, in addition, items that may vary

1 from year to year around -- around a trend; the load
2 factor which does enter into -- which has an effect to the
3 Cost of Service of classes can change, so it deals with
4 that as well.

5 And finally, a 95 to 105 percent revenue
6 cost coverage ratio suggests that cost is a paramount
7 condition in terms of the revenue that you're going to
8 collect from classes. But it does provide a little bit of
9 leeway if there are other, for example, policy related
10 variables that -- that a regulator or a utility may want
11 to consider.

12 But I would say there's not -- given --
13 given the variability of the other information, there's
14 not a lot of policy room in a 95 to 105 percent revenue
15 cost coverage ratio.

16 THE CHAIRPERSON: Rather than calling it
17 margin of error, would a better word be sort of like the
18 concept of tolerance?

19 MR. ROBIN WIENS: I would use that, yes,
20 concept, yeah, tolerance. Now, if you -- if you go to --
21 if you go to marginal cost, do you still need to have a
22 tolerance? Probably, yes. If you went to pure marginal
23 cost, we're not really sure. We're not going to forecast
24 precisely what the marginal cost is, so -- and we're not
25 going to forecast precisely what the class loads are and

1 the shares of it are. So there is room for some tolerance
2 -- for some tolerance there.

3 But more likely in this type of a venue,
4 you're not going to go to a pure marginal cost type of
5 methodology of recovering cost.

6 There are jurisdictions, some in the United
7 States, where marginal cost figures prominently in the
8 Cost of Service but it's in a ratio sense that, for
9 example, if -- if a revenue cost ratio of -- of the
10 general consumers revenue-to-marginal cost ratio was, say,
11 70 percent, that your target would be to collect
12 70 percent of marginal cost from every customer class.
13 And they would -- of course, if you had tolerances in the
14 embedded study before, you're really collecting embedded
15 costs but allocated on a marginal cost basis. So, you
16 would still want to have a concept of tolerance in place.

17 So, you might have, by analogy, if you were
18 targeting at 70 percent you might want to have, say,
19 sixty-seven (67) to seventy-three (73) would be roughly
20 equivalent to ninety-five (95) to one-o-five (105).

21 MR. BOB PETERS: Does the inclusion of the
22 revenue from the energy intensive industry rate for the
23 General Service Large greater than 100 kV cause the
24 revenue-to-cost ratio for that subclass to then go further
25 above the 105 percent upper limit on the zone of

1 reasonableness?

2 MR. ROBIN WIENS: Yes, it would.

3 MR. BOB PETERS: Perhaps significantly
4 more above that.

5 MR. ROBIN WIENS: Well, it would depend on
6 the ratio of revenue that would be collected via that
7 mechanism to the revenue that was being collected by the
8 embedded cost rate.

9 In the initial years I would see it as not
10 being significant, but, over time, it could become
11 significant.

12 MR. BOB PETERS: There's no suggestion
13 from Manitoba Hydro to -- to change the zone of
14 reasonableness for any of the classes, is there?

15 MR. ROBIN WIENS: We haven't discussed
16 that.

17 MR. BOB PETERS: What the Board can see
18 with us when we look at book of documents, Tab 57, is some
19 various revenue-to-cost coverages over the years and over
20 different methodologies.

21 And I appreciate this wasn't a document
22 prepared by Manitoba Hydro, but it was an attempt to
23 reproduce the various revenue-to-cost ratio results. And
24 you will see the first column from the prospective Cost of
25 Service Study '08, that would have been the last column of

1 Schedule B-1 found at Tab 56 of the book of documents,
2 correct?

3 MR. CHIC THOMAS: Yes.

4 MR. BOB PETERS: And, subject to the
5 accuracy of reproducing them, this appears to be the
6 revenue-to-cost coverages from the various methodologies
7 and reports previously done by Manitoba Hydro and/or NERA?

8 MR. CHIC THOMAS: They look reasonable,
9 yeah, subject to check.

10 MR. BOB PETERS: And -- and you won't have
11 to check the next one (1) at Tab 58 of the book of
12 documents, because you prepared it, but it was an historic
13 view of the revenue-to-cost coverage ratios over the years
14 requested, correct?

15 MR. CHIC THOMAS: Yes.

16 MR. BOB PETERS: And all throughout these
17 last two (2) documents we've looked at, both at Tab 57 and
18 Tab 58 of the book of documents, there have been some
19 methodology changes along the way, correct?

20 MR. CHIC THOMAS: Yes.

21 MR. BOB PETERS: And some have been
22 significant, some have been minor tinkering.

23 MR. CHIC THOMAS: That's a good way to put
24 it, yes.

25 MR. BOB PETERS: But leaving that all

1 aside, is it an inescapable conclusion that the
2 residential class still recovers about 95 percent of its
3 allocated costs, and General Service Small is between one-
4 o-five (105) and one-o-eight (108), General Service Medium
5 is pretty close to unity, and General Service Large
6 greater than 100 kV is somewhere in the 105 to 110 percent
7 range?

8 MR. CHIC THOMAS: You could characterize
9 it like that, sure.

10 MR. BOB PETERS: And would it be fair to
11 say that if the zone of reasonableness and the revenue-to-
12 cost coverage ratio is going to be looked at, the only way
13 to get class RCCs closer to unity would be differential
14 rate increases?

15 MR. CHIC THOMAS: That's fair.

16 MR. BOB PETERS: Turning to Tab 59 of the
17 book of documents -- again a -- a prepared document, not
18 by Manitoba Hydro, but based on information -- if the
19 Board were to look at each class's recovery of costs on a
20 dollars or cents per kilowatt hour basis, I'm suggesting
21 you would see the results as found in the book of
22 documents at Tab 59.

23 MR. CHIC THOMAS: Subject to check, I'll
24 accept that.

25 MR. BOB PETERS: And if we look at the

1 residential class, the costs for the residential class
2 found in the PCOSS '08 column with Order 117/'06 involved,
3 show that the residential class costs are about eight (8)
4 cents a kilowatt hour.

5 MR. CHIC THOMAS: Yes.

6 MR. BOB PETERS: And if you -- if you
7 slide across, you see that the residential class actual
8 revenue is about six point six (6.6) cents a kilowatt
9 hour, correct?

10 MR. CHIC THOMAS: Yes.

11 MR. BOB PETERS: And, therefore, the one
12 point (1.) -- sorry, the one point four (1.4) cent
13 difference will have to be made up to keep Manitoba Hydro
14 whole by some other customer class.

15 MR. CHIC THOMAS: Yes.

16 MR. BOB PETERS: And part of that subsidy
17 is recovered by way of export credit?

18 MR. CHIC THOMAS: Yes.

19 MR. BOB PETERS: But, if there are no
20 export credits, then the document that's prepared here at
21 Tab 59 would set out the amount of the subsidy that would
22 be needed for the residential class.

23 MR. CHIC THOMAS: Yes.

24 MR. BOB PETERS: Let me put it another way
25 -- that -- that if the net export -- no -- if the average

1 of the export prices fell by 2.1 percent per kil -- two
2 point one (2.1) cents per kilowatt hour, then there'd be
3 no net export revenue to allocate amongst the customer
4 classes.

5 MR. CHIC THOMAS: I'm not sure I follow,
6 Mr. Peters.

7 MR. BOB PETERS: If we take the
8 Corporation as having 7,700 gigawatt hours of export
9 capability -- and Mr. Surminski, although he's trying to
10 keep a low profile, would -- would be able to correct us -
11 - and there was \$162 million of net export revenue, that
12 would end up showing that an average price reduction of
13 two point one (2.1) cents per kilowatt hour will wipe out
14 the net export revenue that's attributed back to the
15 classes.

16 MR. CHIC THOMAS: Yes.

17 MR. BOB PETERS: So, to that extent, the
18 price of export sales is a significant factor in the class
19 RCCs, as developed by this Cost of Service Study.

20 MR. CHIC THOMAS: That would be fair, yes.

21 MR. BOB PETERS: Maybe by way of another
22 example, if the export prices were lower, such that there
23 was only \$115 million of net export revenue rather than
24 165 million, the residential class's revenue-to-cost-
25 coverage ratio would fall from ninety-six point four

1 (96.4) down to about ninety-two point three (92.3) --
2 about 10 percent of the expected price.

3 MR. ROBIN WIENS: Mr. Peters, that's not
4 true. We'd have to do the -- we'd have to actually do the
5 math in order to -- to come up to what it would be. If
6 the net export revenue were reduced, the cost base would
7 also be reduced.

8 MR. BOB PETERS: Just -- maybe we're --
9 I'm -- I'm off the rails with you right there, and I'll
10 interrupt if I don't get a complaint from your counsel.

11 You're assuming that if net export revenue
12 is reduced, the costs are reduced. I'm assuming the net
13 export price that Mr. Surminski can get is reduced, but
14 the costs are not reduced.

15 MR. ROBIN WIENS: We would still have a
16 situation where that would affect every class, not just
17 the residential class. So, if you put it back to a base
18 of 100 percent, then the residential RCC would not fall as
19 low, I believe, as -- as you stated earlier.

20 MR. BOB PETERS: Well, I'm -- I'm going to
21 agree with you, Mr. Wiens, that the other class RCCs would
22 likewise be affected. I wasn't suggesting it was only the
23 residential class that would bear the 100 percent of that.

24 But for the General Service Large
25 customers, we see -- we see, at Tab 56 of the book of

1 documents, that the General Service Large over 100 kV has
2 a revenue-to-cost coverage ratio right now of one-o-eight
3 point seven (108.7), correct?

4 MR. CHIC THOMAS: Again on the over one
5 hundred (100), yes.

6 MR. BOB PETERS: Yes, on that sub-class.
7 And I'm suggesting that if the export prices were lower,
8 resulting in a lower net export revenue -- and I picked
9 115 million rather than 165 million, as included -- then
10 the RCC for that sub-class would fall from one-o-eight
11 point seven (108.7) down to one-o-six (106).

12 And Mr. Wiens isn't -- I just want to see
13 if, conceptually, that -- that follows, without being
14 specific on the math at this point.

15 MR. ROBIN WIENS: Well -- well, yes, it
16 will decline, but I -- directionally, that's correct, but
17 I -- I have to think this -- this through, because
18 regardless of what happens to export prices, we are still
19 going to produce a cost of service result at -- for total
20 general consumers is 100 percent.

21 So, yes, there is less revenue. But if
22 there is less revenue, then there is less net income being
23 earned by Manitoba Hydro, so that will affect the costs as
24 well.

25 MR. BOB PETERS: And I'm not -- I'm not

1 arguing that that income wouldn't fall, because I think,
2 logically, it would have to fall, Mr. -- Mr. Wiens.

3 MR. ROBIN WIENS: But that's the other
4 side of the equation. That's what you have to consider as
5 well.

6 MR. BOB PETERS: Well, Mr. Chairman, this
7 might be an appropriate time for us to consider that.
8 We'll -- we'll have an opportunity to pick it up here when
9 we reconvene.

10 MR. ROBERT MAYER: And when we reconvene,
11 for how long?

12 MR. BOB PETERS: Mr. Chairman, I'm just --

13 THE CHAIRPERSON: April the 10th, I
14 believe.

15 MR. BOB PETERS: Yes, I just wanted to
16 make sure that I wasn't putting the wrong date in. April
17 the 10th is our -- is the time we will meet. I will speak
18 to counsel because I expect I will be -- be most of the
19 day on the 10th with my questions, and then hand it off
20 either late in the day or first thing in the following
21 morning.

22 THE CHAIRPERSON: Thank you, Mr. Peters.
23 Ms. Ramage, you have got three (3) more
24 exhibits?

25 MS. PATTI RAMAGE: Yes, before we close,

1 we have Manitoba Hydro Undertaking 56, which we suggest be
2 Manitoba Hydro Exhibit 47, then Undertaking 57 be Exhibit
3 MH-48, and finally, Undertaking 53, which we suggest be
4 Exhibit MH-49.

5 THE CHAIRPERSON: Thank you.

6

7 --- EXHIBIT NO. MH-47: Response to Undertaking 56

8

9 --- EXHIBIT NO. MH-48: Response to Undertaking 57

10

11 --- EXHIBIT NO. MH-49: Response to Undertaking 53

12

13 THE CHAIRPERSON: Okay, then. Well, we
14 will stand down now, and we will come back together again,
15 God willing, on April the 10th.

16

17 (WITNESSES RETIRE)

18

19 --- Upon adjourning at 4:00 p.m.

20

21 Certified correct,

22

23

24 _____
Cheryl Lavigne

25