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MANITOBA PUBLIC UTILITIES BOARD

Re: Manitoba Hydro's Application to the  
Public Utilities Board for Approval of  
New Electricity Rates in Communities  
Served by Diesel Generation

Before Board Panel:

- Graham Lane - Board Chairman
- Robert Mayer, Q.C. - Board Member
- Kathi Avery Kinev - Board Member

HELD AT:

Public Utilities Board  
400, 330 Portage Avenue  
Winnipeg, Manitoba  
November 22, 2010  
Pages 740 to 960

APPEARANCES

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Mary Ann Thompson )

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4		believes costs should be the	
5		responsibility of First Nations and the	
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1 --- Upon commencing at 9:05 a.m.

2

3 THE CHAIRPERSON: Okay. Good morning,  
4 everyone. Welcome back to the continuation of the public  
5 hearing into Manitoba Hydro's Application for revised  
6 electricity rates in the diesel zone, which you know  
7 comprises four communities in northern Manitoba that have  
8 electricity supplied from diesel generators.

9 When we adjourned in September 30th, we  
10 were in the midst of hearing testimony of INAC's  
11 witnesses. If memory serves me well, Mr. Mills had been  
12 questioned by all parties, with the exception of Board  
13 counsel, Mr. Peters.

14 INAC's other witness, Mr. Hildebrand, had  
15 yet to begin his oral testimony. Because Mr. Hildebrand  
16 has witness obligations in Alberta tomorrow, the Board  
17 understands that he will begin as INAC's first witness  
18 today, with the expectation that his evidence will be  
19 completed today.

20 Mr. Hildebrand will provide his oral  
21 direct evidence, followed by cross-examinations by  
22 counsel for CAC/MSOS, then MKO, then MH, and finally,  
23 Board counsel.

24 In some of Mr. Hildebrand's written  
25 evidence, he references a tentative settlement agreement

1 among Manitoba Hydro, INAC, and MKO. The Board ordered  
2 that CAC/MSOS counsel be provided a copy of that document  
3 as seen by Mr. Hildebrand. The Board has also been  
4 provided a copy of that document on blue paper.

5           While there apparently is some form of  
6 confidentiality still surrounding that document, the  
7 Board will ask INAC counsel, and CAC/MSOS's counsel, to  
8 be mindful of the questions posed, such that if there are  
9 specific aspects of the tentative settlement agreement  
10 being canvassed, then the Board is prepared to ask our  
11 transcript reporter, Ms. Cheryl Lavigne, to stop  
12 reporting on the public transcript, and being reporting  
13 on a separate transcript for the in-camera proceedings.

14           The in-camera transcript will not be made  
15 publically available, and nothing said on that transcript  
16 about the tentative settlement agreement is to be  
17 publically discussed by any participant in this  
18 proceeding.

19           Following Mr. Hildebrand's testimony, and  
20 I believe Mr. Til -- Hildebrand has already been sworn,  
21 so just remind him of that fact, we will complete the  
22 testimony of Mr. Mills either later today, or perhaps  
23 tomorrow morning, if need be.

24           Also on tomorrow, Tuesday, November 23rd,  
25 the Board has allotted time for presentations. We are





1 8, number 3 will be 9, number 4 will be 10, number 5 will  
2 be 11, number 6 will be 12, number 7 will be 13, number 8  
3 will be 14, number 9 will be 15.

4

5 --- EXHIBIT NO. MH-8: Undertaking number 2

6

7 --- EXHIBIT NO. MH-9: Undertaking number 3

8

9 --- EXHIBIT NO. MH-10: Undertaking number 4

10

11 --- EXHIBIT NO. MH-11: Undertaking number 5

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13 --- EXHIBIT NO. MH-12: Undertaking number 6

14

15 --- EXHIBIT NO. MH-13: Undertaking number 7

16

17 --- EXHIBIT NO. MH-14: Undertaking number 8

18

19 --- EXHIBIT NO. MH-15: Undertaking number 9

20

21 THE CHAIRPERSON: Undertakings number 10  
22 and 14 will be marked as Manitoba Hydro Exhibit number  
23 16.

24

25 --- EXHIBIT NO. MH-16: Undertaking number 10 and 14

1                   THE CHAIRPERSON:   And then number 11 is  
2 Exhibit number 17, 12 is 18, 13 is 19, 16 is 20, 17 is  
3 21, 18 is 22, 19 is 23, 20 is 24, 21 is 25th, and 22nd --  
4 or 22 as Exhibit number 26.

5

6 --- EXHIBIT NO. MH-22:           Undertaking number 18

7

8 --- EXHIBIT NO. MH-23:           Undertaking number 19

9

10 --- EXHIBIT NO. MH-24:           Undertaking number 20

11

12 --- EXHIBIT NO. MH-25:           Undertaking number 21

13

14 --- EXHIBIT NO. MH-26:           Undertaking number 22

15

16                   THE CHAIRPERSON:   INAC has also filed  
17 written responses to the undertakings provided during Mr.  
18 Mills' testimony, so those will also be marked as  
19 exhibits in the record of these proceedings.

20                   Again, I note that the last INAC Exhibit  
21 was INAC number 7, which is a copy of a letter dated May  
22 2nd of 1983 from Manitoba Hydro to INAC as requested by  
23 the vice-chair, and, therefore, the next exhibit for INAC  
24 will be Exhibit INAC number 8. So, again, Undertaking  
25 number 22 will be INAC Exhibit number 8. Undertaking

1 number 23 will be INAC Exhibit number 9. And INAC  
2 Undertaking number 24 will be INAC Exhibit number 10.

3

4 --- EXHIBIT NO. INAC-8 Undertaking number 22

5

6 --- EXHIBIT NO. INAC-9: Undertaking number 23

7

8 --- EXHIBIT NO. INAC-10: Undertaking number 24

9

10 THE CHAIRPERSON: The last preliminary  
11 matter I want to mention is that on September 30th of  
12 this year the Board invited written submissions from the  
13 parties on various topics. To date, the Board has  
14 received written submissions from CAC/MSOS, which  
15 includes a brief of written submissions and copies of  
16 highlighted legal authorities Manitoba Hydro. And it  
17 would be fair to say the Board also received a submission  
18 in the form of a brief letter from the province of  
19 Manitoba's constitutional law branch.

20 As of the preparations of these opening  
21 remarks INAC and MKO have not provided written  
22 submissions, although it's possible that INAC will be  
23 providing a written submission; I don't know. From a  
24 procedural aspect the written submissions will not be  
25 marked as exhibits, but following the close of evidence

1 and the presentations the Board will ask our transcript  
2 reporter to transcribe the body of the written  
3 submissions into the Wednesday November 23rd volume of  
4 the transcript so that those written submissions will be  
5 included with the oral submissions made that date.

6 So, with all that said, unless any party  
7 has additional matters to bring forward at this time,  
8 seeing none, I will turn over to INAC's counsel, Ms.  
9 Hart, to introduce Mr. Hildebrand and that you can begin  
10 your direct. Thank you. Ms. Hart...?

11

12 INAC PANEL, Resumes:

13

14 DALE HILDEBRAND, Previously Sworn

15

16 CONTINUED EXAMINATION IN-CHIEF BY MS. GLYNIS HART:

17

18 MS. GLYNIS HART: Good morning, Mr.  
19 Chair, Mr. Mayor, Ms. Avery Kinew. I'd like to introduce  
20 Mr. Dale Hildebrand from Desiderata Energy Consulting on  
21 my far right. Mr. Hildebrand, just a reminder, you were  
22 sworn in on September 30th of this year. I'd like to  
23 refer the Board, please, to INAC's Exhibit number 4.  
24 That would be the report by Mr. Hil -- Hildebrand. It's  
25 dated August 13th, 2010.

25

Mr. Hildebrand, you prepared the document

1 and are ready to adopt it as evidence on behalf of  
2 Desiderata Energy Consulting at that -- this time, is  
3 that correct?

4 MR. DALE HILDEBRAND: Yes, thank you.

5 MS. GLYNIS HART: Thank you. And at  
6 Exhibit 3 of INAC's exhibits, the responses to IRs,  
7 you've prepared and adopted the following. If you could  
8 confirm, PUB/INAC-2, numbers 13 through and MANITOBA  
9 HYDRO/INAC number 1B through G, numbers 2 and 3, and  
10 finally CAC-INAC-I numbers 12 through 18.

11 MR. DALE HILDEBRAND: Sure. I'll -- I'll  
12 take that. Thank you.

13 MS. GLYNIS HART: Thank you.

14 MR. DALE HILDEBRAND: And I do adopt  
15 those IR responses.

16 MS. GLYNIS HART: Thank you. In sake of  
17 saving some time as far as mist -- qualifying Mr.  
18 Hildebrand as an expert, what I'd like to do is maybe  
19 point out some of his qualifications and also the fact  
20 that Mr. Hildebrand was qualified as an expert in  
21 previous proceedings before this Board, and we wish to  
22 qualify him in the same manner.

23 So I'll be fairly brief then in my  
24 introduction of Mr. Hildebrand, noting that at his report  
25 INAC's Exhibit 4 at question number 1 he's provided his

1 qualifications, summary of his experience, and at the  
2 back of this report at appendix A a brief resume, also.  
3 And in addition, we've handed out earlier today and you  
4 should have in front of you a partial listing of Mr.  
5 Hildebrand's participation in the Alberta Utility  
6 Regulatory proceedings.

7                   And the last time in January of 2004 Mr.  
8 Hildebrand was qualified as an expert in terms of the  
9 cost of service study and rate design issues relating to  
10 Manitoba Hydro's remote service. And I ask at this time  
11 if we could have him qualified in the same manner.

12                   THE CHAIRPERSON: Do any of the  
13 intervenors at Manitoba Hydro have a problem with this?

14                   MS. PATTI RAMAGE: No. Manitoba Hydro  
15 notes Mr. Hildebrand has been here before, and so it has  
16 no issue. One (1) point and I hate to -- I don't want to  
17 bring it up, but I -- but I do, just for the record -- to  
18 put on the record without taking it any further, Manitoba  
19 Hydro just wanted to note its concern with the idea of  
20 the in-camera proceeding; however, this ultimately isn't  
21 our witness and isn't out issue, but just as a general  
22 principle Manitoba Hydro believes these things should be  
23 in a -- in an open proceeding.

24                   So we didn't want sort of our silence to  
25 be seen as a -- a general acquiescence to -- to a

1 confidential proceeding.

2 THE CHAIRPERSON: Thank you, Ms.  
3 Ramage. Mr. Anderson...?

4 MR. MICHAEL ANDERSON: MKO entered Mr.  
5 Hildebrand, of course, as an expert on our behalf  
6 previously, so we accept Mr. Hildebrand and his evidence  
7 as expert testimony before this panel. Thank you.

8 THE CHAIRPERSON:  
9 Ms. Bowman...?

10 MS. MYFANWY BOWMAN: CAC/MSOS have no  
11 objection to Mr. Hildebrand's qualifications.

12 THE CHAIRPERSON: Okay. We're fine. Ms.  
13 -- Ms. Orr -- or Ms. Hart...?

14 MS. GLYNIS HART: Thank you. And also  
15 maybe at this time I'd maybe like to enter Mr.  
16 Hildebrand's participation in the Alberta Utility  
17 Regulatory proceedings as an exhibit as the INAC's next  
18 exhibit.

19 THE CHAIRPERSON: We'll -- we'll --

20 MS. GLYNIS HART: Would that be number  
21 11? Thank you very much, Mr. Peters.

22

23 --- EXHIBIT NO. INAC-11: Mr. Hildebrand's  
24 participation in the Alberta  
25 Utility Regulatory



1 proceedings

2

3 CONTINUED BY MS. GLYNIS HART:

4 MS. GLYNIS HART: Mr. Hildebrand, if you  
5 could confirm, please, you were retained by Indian  
6 Affairs and Northern Development as an expert witness to  
7 provide alternatives to the Board, is that correct?

8 MR. DALE HILDEBRAND: Yes.

9 MS. GLYNIS HART: And you've reviewed  
10 Manitoba Hydro's rate application, the responses to the  
11 IRs, the minutes of settlement, and the tentative  
12 settlement agreement, is that correct?

13 MR. DALE HILDEBRAND: Yes.

14 MS. GLYNIS HART: And you've made six (6)  
15 recommendations in your report for the Board's  
16 consideration. I'm not going to ask you to work through  
17 each of those recommendations today, Mr. Hildebrand. I'm  
18 sure everyone's had a chance to review your report.

19 What I'd like to do instead then is -- is  
20 to ask you maybe to clarify some points or to respond to  
21 some of the evidence that's come forward either in  
22 written submissions or during the evidence given in the  
23 oral hearings to help further explain or clarify your  
24 report.

25 And the evidence that's come forward since



1 the document submitted, and the evidence given, do you  
2 have further comments then to add to your report?

3 MR. DALE HILDEBRAND: Well, we note that  
4 the minutes of settlement talked about consultations  
5 being required, and that capital costs should be agreed  
6 to before they were expended, and I think at issue is who  
7 should be responsible for the -- the carrying costs, the  
8 interest expense, associated with the delays in the  
9 negotiations.

10 And -- and Manitoba Hydro's position  
11 appears to be that the First Nations should be fully  
12 responsible for the delays, and all of the interest cost  
13 should be included in the revenue requirement, and  
14 collected.

15 And it's not clear to me that the First  
16 Nations should be fully responsible for those delays.

17 MS. GLYNIS HART: Do you have any further  
18 thoughts on this recommendation?

19 MR. DALE HILDEBRAND: When I step back  
20 and look at it from a high level, when capital costs are  
21 included into utilities rate base, and customers are  
22 being asked to pay the costs associated with that  
23 capital, one (1) of the key tests is that those capital  
24 costs are prudently incurred.

25 And in my view, the settlement agreement

1 provided for a mechanism for those capital costs to be  
2 tested by the con -- consumers who were going to be  
3 paying for them, and that mechanism was through the  
4 negotiated settlement agreement.

5 MR. ROBERT MAYER: Mr. Hildebrand, what  
6 would be your opinion if, as seems to be the situation  
7 now, nobody gets around to signing the tentative  
8 settlement agreement?

9 MR. DALE HILDEBRAND: My understanding,  
10 Mr. Mayer, is that the parties have been acting, maybe  
11 not as expan -- expediently as certainly I would have  
12 expected, but are acting as if that agreement has been  
13 signed.

14 MR. ROBERT MAYER: But, Mr. Hildebrand,  
15 that isn't the question. We all understand that. Isn't  
16 -- as far as we know, it hasn't been signed.

17 What would your position be with respect  
18 to the carrying costs if that agreement is not signed?

19 MR. DALE HILDEBRAND: Well, I think if --  
20 if that agreement isn't signed then you need to look at  
21 the minutes of settlement, which I view as an agreement  
22 between the parties.

23 And if that agreement is not strong enough  
24 in your view, sir, then I would say that all those  
25 capital costs need to go back into the tariff. There's

1 no other mechanism for them to be collected.

2

3

(BRIEF PAUSE)

4

5 CONTINUED BY MS. GLYNIS HART:

6

MS. GLYNIS HART: Thank you, Mr.  
7 Hildebrand. Unless you have any more questions on -- or,  
8 comments on the first recommendation, I'll move on to  
9 your second recommendation, and that would be that the  
10 revenue shortfall between the forecast revenue  
11 requirement and the forecast rate revenue should be  
12 allocated between customers based on the tentative  
13 settlement agreement capitol allocations and not based on  
14 a forecast of government accounts energy usage.

15

Why did you make this recommendation?

16

MR. DALE HILDEBRAND: There appears to be  
17 a disjoint in my mind between how these costs are being  
18 incurred and how these costs are proposed to be  
19 collected. The -- the revenue shortfall, in my view, is  
20 a result of all of the customers in these remote  
21 communities. A government customer doesn't cause more  
22 costs than a residential customer, for example.

23

And if we make that presumption that all  
24 of the costs are essentially being incurred on a variable  
25 or per kilowatt hour basis, then if there's a revenue

1 shortfall then who should that be allocated to? And it  
2 would appear to me that that should be allocated amongst  
3 all the parties who have cost responsibility for that  
4 shortfall.

5                   And I see evidence on the record that  
6 suggests that in 2001 to 2004 that the federal government  
7 had about 75 percent responsibility, and yet I see  
8 Manitoba Hydro recommending that the federal government  
9 and their agencies are responsible for some 83 percent.  
10 And it's -- and it's the way they're proposing to collect  
11 those costs based on the energy usage of the government  
12 accounts only and those -- those two don't line up in my  
13 mind.

14                   MS. GLYNIS HART:    Since filing your  
15 report and hearing the evidence, do you have any further  
16 comments?

17                   MR. DALE HILDEBRAND:   I don't -- I  
18 haven't seen any new evidence on the record to suggest  
19 that the federal government and First Nations accounts  
20 are responsible for 83 percent of -- of the shortfall, so  
21 I -- I have not seen anything to dissuade me from that  
22 recommendation.

23                   MS. GLYNIS HART:    Can you just summarize  
24 your recommendation then, what it -- it is that you are  
25 recommending the Board consider?

1                   MR. DALE HILDEBRAND:    It appears to me  
2   that the -- the premise of the negotiated settlement, and  
3   even the tariff design itself, is that there's certain  
4   parties that are responsible for certain costs in these  
5   remote communities and the First Nations are responsible  
6   for some portion of the cost, the federal government for  
7   a portion, the provincial government for a portion, and  
8   Manitoba Hydro has taken responsibility for a certain  
9   portion.  And those portions were defined in the  
10  settlement agreement based on consumption from 2001 to  
11  2004, the parties agreed to that, and agreed that capital  
12  costs should be allocated amongst the parties based on  
13  those percentages.

14                   And in my view, the revenue shortfall  
15  should be allocated on those same percentages,  
16  recognizing that if there is a shortfall it needs to be  
17  collected somehow and Manitoba Hydro is elected to  
18  collect it from a few government accounts, but by doing  
19  so I believe they're over-collecting from the First  
20  Nations education accounts.

21                   MS. GLYNIS HART:    Do you have any other  
22  thoughts, Mr. Hildebrand?

23                   MR. DALE HILDEBRAND:    I do.  When I go  
24  back and -- and think about it I recognize that, as my  
25  understanding is that these diesel rates are interim and

1 have been interim for a number of years, perhaps even as  
2 far back at 2004. And therefore, I believe consideration  
3 should be given to what would be the appropriate  
4 mechanism to collect those, what I understand Manitoba  
5 Hydro calls a government surp -- or, the government  
6 shortfall, who should have been paying that over the last  
7 six (6) years? And perhaps even some retroactive  
8 adjustment may be appropriate.

9 MS. GLYNIS HART: Thank you. For your  
10 third recommendation you had stated that Manitoba Hydro  
11 should expediently implement a comprehensive diesel  
12 energy management program within each of the four (4)  
13 remote communities.

14 Mr. Hildebrand, why do you believe a  
15 comprehensive energy management program is required?

16 MR. DALE HILDEBRAND: Energy consumption  
17 on a -- per account basis in these remote communities is  
18 very high, and we under -- I think we all understand that  
19 there's some very special needs of the -- of the remote  
20 communities and that access to natural gas is not  
21 possible for home heating.

22 And I also recognize that the costs even  
23 on a variable basis for providing services to these  
24 remote communities is very high. Manitoba Hydro's come  
25 forward with a 23 percent on average rate increase. So



1 how do you counteract that? And it appears to me that  
2 the low-hanging fruit, if you will, is energy management,  
3 and it's a way to just try and reduce the consumption.

4                   And I -- and I don't believe this is a new  
5 recommendation; I believe the parties understood and were  
6 encouraging that energy management be undertaken. And I  
7 believe this Board made -- has made several  
8 recommendations over the years that energy management be  
9 take -- be undertaken. So I'm just really I guess trying  
10 to reinforce that we're on the right track. It just  
11 needs to get done.

12                   MS. GLYNIS HART: What have you observed  
13 from the materials on the record and during the oral  
14 proceedings?

15                   MR. DALE HILDEBRAND: From what I heard  
16 back in September it appears that Maniti -- Manitoba  
17 Hydro is of the view there's very limited energy  
18 management opportunities in these remote communities.  
19 Their views appear to be premised on the basis that  
20 moving to more energy efficient lighting or more energy  
21 efficient appliances would not be economic as these  
22 inefficient appliances produce waste heat, which is then  
23 used to supplement space heating in the home.

24                   And I guess in my view this doesn't make a  
25 lot of sense. Manitoba Hydro has a policy that using

1 electricity for space heating is not allowed, and so if  
2 using wasteful -- or inefficient appliances is in essence  
3 providing space heat from electricity.

4 I also note that space heating is not  
5 required every hour of the year, and there is a number of  
6 hours in the summer months when space heating is not  
7 required and yet we still have energy inefficient  
8 appliances and lighting in these remote communities.

9 So it appears to me that a central issue  
10 here is the -- the policy regarding use of electricity  
11 for space heating. Manitoba Hydro has advised us that  
12 this policy while in place is not enforced. So our  
13 recommendation for a -- a comprehensive energy management  
14 program is partially based on trying to minimize the use  
15 of electricity for space heating.

16 MS. GLYNIS HART: Do you have any other  
17 thoughts on this recommendation?

18 MR. DALE HILDEBRAND: It -- it appears to  
19 me that part of the reluctance, at least historically, on  
20 behalf of Manitoba Hydro to implement energy management  
21 programs in the remote communities or more succinctly for  
22 Manitoba Hydro to -- to target comprehensive energy  
23 programs in the remote communities to address the special  
24 needs and considerations of the remote communities is  
25 partially based on cost responsibility.

1                   And what I mean by that is it appears to  
2 me that Manitoba Hydro is of the view that they are not  
3 responsible for implementing these programs and that  
4 these programs should be the responsibility of the First  
5 Nations and the Federal government.

6                   MS. GLYNIS HART:    Thank you.  Moving on  
7 to your fourth recommendation that a comprehensive review  
8 of the 2004 forecast of the allocation of net export  
9 revenues to the diesel rate class should be undertaken,  
10 and filed with the Public Utilities Board.

11                   Mr. Hildebrand, why is this important --  
12 an important recommendation to you?

13                   MR. DALE HILDEBRAND:    I think it's  
14 really important for the impact it's going to have on the  
15 diesel tariffs after the initial ten (10) years of the  
16 settlement agreement has passed.

17                   MS. GLYNIS HART:    Can you elaborate on  
18 that, please?

19                   MR. DALE HILDEBRAND:    Sure.  Again, in my  
20 view one (1) of the fundamental benefits of the  
21 settlement agreement was the provision that a portion of  
22 net export revenues get allocated to the diesel zone, and  
23 reduce the diesel tariff revenue requirement.

24                   And although, you know, ten (10) years  
25 seemed like a long time in 2004, the expectation was that

1 after ten (10) years that that allocation of net export  
2 revenues would be significant, and would be material, and  
3 would help reduce the high cost to the consumers in the  
4 remote communities.

5 And when I look at what, at least was my  
6 expectations in 2004, and what the forecast is now,  
7 they're -- they're quite different, and what I see is  
8 that the potential amount of revenue that could be  
9 allocated from net export revenues will not have a  
10 significant impact on reducing the diesel rates by, you  
11 know, after 2014, that the -- under the current rate  
12 design, will reduce the subsidies, but not much more.

13 MR. ROBERT MAYER: Mr. -- Mr. Hildebrand,  
14 once again, the idea of using export revenue to offset  
15 certain costs in 2004 to retire by two (2) -- an item by  
16 2014 made sense, until I look at the document on the blue  
17 paper, which seems to, although I think I've seen other  
18 ones created before 2009, the one (1) I'm looking at now  
19 says:

20 "This agreement made as of the blank  
21 day of blank, 2009."

22 When do we start this ten (10) year  
23 retirement if nobody signs the agreement, Mr. Hildebrand?

24 MR. DALE HILDEBRAND: Well, the minutes  
25 of settlement were signed in 2004, and that, I think, is

1 the basis for the agreement amongst the parties.

2 MR. ROBERT MAYER: The minutes of  
3 settlement are minutes of settlement. The tentative  
4 settlement agreement is what you keep referring to  
5 throughout most of your -- most of your evidence, sir,  
6 not the minutes of settlement.

7 The tentative settlement agreement seems  
8 to be the issue, and presumably that is the agreement.  
9 It is not signed. How do we -- do we back date  
10 everything until it -- until it's actually signed, and  
11 run ten (10) years from the date that the document is  
12 actually signed insofar as these items that are going  
13 forward, or do we back date it, and if so, how do we make  
14 up the difference?

15 MR. DALE HILDEBRAND: Well, I believe the  
16 minutes of settlement are agreement. It was -- although  
17 it's a short agreement it was still executed, and -- and  
18 parties to that agreement have abided by it, and  
19 significant amounts of money have flown under that  
20 agreement.

21 So I would say that while it is extremely  
22 unfortunate that it's taken this long for that agreement  
23 to being close to be signed, the -- the parties clearly  
24 intended that it would be effective in -- as of 2004, and  
25 -- and I believe the parties still believe today that it

1 should be effective as of 2004.

2

3

(BRIEF PAUSE)

4

5 CONTINUED BY MS. GLYNIS HART:

6 MS. GLYNIS HART: Do you have any further  
7 comments on this recommendation, Mr. Hildebrand?

8 MR. DALE HILDEBRAND: Well, there's a  
9 fair -- fairly marked difference between, at least my  
10 expectation when I was reviewing these numbers back in  
11 2004, that the accumulated deficit would be retired in  
12 ten (10) years, or less, and the current forecast that  
13 only 25 percent of the accumulated deficit will be  
14 retired after ten (10) years from the allocation of net  
15 export revenues.

16 So that's a pretty wide gap, in my view,  
17 and that is why I made the rec -- recommendation that  
18 perhaps we should go back and look at why there is that  
19 gap and what's happened in the cost of service studies  
20 that significantly less re -- eigna -- export revenue is  
21 being allocated to the diesel zone than what was  
22 anticipated.

23 MS. GLYNIS HART: Turning now to your  
24 fifth recommendation, Mr. Hildebrand, in that particular  
25 recommendation. It's that:

1           "The diesel rate should be designed  
2           with progressive energy charges to  
3           strongly encourage the implementation  
4           of energy management programs. We  
5           recommend that the equivalent to grid  
6           rates be doubled over the next four (4)  
7           years."

8           Why is a stronger price signal important?

9           MR. DALE HILDEBRAND: Consumers do react  
10          to strong price signals of varying degrees. I think the  
11          bottom line here is -- is there's not much else we can  
12          do. We have rising costs, a captive area that needs to -  
13          - to pay for those costs, and there seems to be limited  
14          opportunities to manage those -- those variable costs, at  
15          any rate, diesel costs with diesel costs.

16                 And if -- if the -- what appears to be the  
17          only way that you can make a significant impact on  
18          mitigating future cost increases is through reduced  
19          consumption, and how can you do that? And, to me, you  
20          come back to its energy management, trying to reduce the  
21          amount of consumption. And how do you encourage people  
22          to do energy management? Send them the price single --  
23          signal and -- and try and educate them as best you  
24          possibly can.

25                 And when I look at some portion of the

1 consumers in the remote communities that are paying  
2 equivalent to grid rates, that just doesn't seem to be an  
3 appropriate price signal considering the cost to provide  
4 them with service.

5 MR. ROBERT MAYER: Mr. Hildebrand, again,  
6 I don't know how much you know about where these remote  
7 communities are and I was, quite fra -- frankly,  
8 flabbergasted when I saw you declaring that the remote  
9 community of Jasper, Alberta somehow resembled those  
10 communities.

11 But do you -- do you understand where  
12 these remote communities are, how they are not connected  
13 by road? They are not connected by rail, unlike Jasper,  
14 Alberta. The only way in in the winter is by winter road  
15 or aircraft. The only way in the summer is generally by  
16 aircraft. And if -- a couple of the places you could  
17 actually use boats to get out. Are you aware of that,  
18 sir?

19 MR. DALE HILDEBRAND: Very aware of that.  
20 I've been in similar communities in Alberta and the  
21 Northwest Territories.

22 MR. ROBERT MAYER: Then why wouldn't you  
23 use one of those as an example instead of what you called  
24 a remote community of Jasper, Alberta?

25 MR. DALE HILDEBRAND: The point I was



1 trying to make in my evidence, sir, is that when you have  
2 a community that's not connected to the grid and you go  
3 in and do a comprehensive energy management program you  
4 can significantly reduce energy consumption. That was my  
5 point. I was not trying in any way to suggest that  
6 Jasper's any way like these remote communities from a  
7 socio- or economic perspective.

8 MR. ROBERT MAYER: I appreciate that.

9

10 CONTINUED BY MS. GLYNIS HART:

11 MS. GLYNIS HART: Mr. Hildebrand, in your  
12 view, what is wrong with using grid rates?

13 MR. DALE HILDEBRAND: It -- it just sends  
14 the inappropriate price signal. There are some, as I  
15 understand, consumers in these remote communities,  
16 residential and commercial, who are only paying a grid  
17 rate; their consumption is under 2,000 kilowatt hours per  
18 month or they may be folks who work in the community and  
19 have co -- full cost responsibility for paying their  
20 power bill.

21 And for those consumers you're sending  
22 them the price signal that they need to pay six (6) or  
23 seven (7) cents a kilowatt hour for delivered electricity  
24 when it costs nearly ten (10) times that.

25 And in my view, from a -- strictly from a

1 rate design perspective, that's not appropriate. I don't  
2 see -- haven't seen any evidence, or legislative  
3 authority, that suggests that in Manitoba there's a  
4 requirement to charge grid rates in the remote  
5 communities.

6 MR. ROBERT MAYER: Mr. Hildebrand, isn't  
7 your -- you're there -- therefore suggesting that some of  
8 the poorest people, and generally the people who have the  
9 least in Manitoba, pay the most for a service that some  
10 of us, in any event, consider essential?

11 MR. DALE HILDEBRAND: I don't -- I don't  
12 believe so, Mr. Mayer. My understanding is that for  
13 those consumers in the remote communities that require  
14 assistance, and the First Nations, that that is provided  
15 through the First Nations, and ultimately is funded by  
16 INAC.

17 But for those consumers that work in these  
18 communities who are paid wages, and have full recos --  
19 responsibility to pay their power bill, those folks are  
20 not receiving the right price signal, in my view.  
21 Neither are those commercial consumers in the remote  
22 communities.

23 If I owned a store in one (1) of these  
24 remote communities, and used less than 2,000 kilowatt  
25 hours per month, I'm paying six (6) or seven (7) cents

1 per kilowatt hour for my electricity when it costs almost  
2 ten (10) times as much to produce.

3 And I would not say those are the poorest  
4 or most disadvantaged Manitobans.

5 MR. ROBERT MAYER: But, Mr. Hildebrand, I  
6 think you were there when we heard the testimony from the  
7 "owners", quote, of the stores in all four (4) of those  
8 remote communities, indicating that if the price goes up  
9 by 19 percent, so does the price of groceries.

10 I -- I believe you were part of that  
11 hearing, weren't you, sir?

12 MR. DALE HILDEBRAND: I -- I was, and --  
13 and who should be -- who should have a cost  
14 responsibility for those price increases?

15 MR. ROBERT MAYER: The suggestion was it  
16 was the people who buy the groceries.

17 MR. DALE HILDEBRAND: And I would agree  
18 with that, sir.

19

20 (BRIEF PAUSE)

21

22 CONTINUED BY MS. GLYNIS HART:

23 MS. GLYNIS HART: Mr. Hildebrand, do you  
24 have any further thoughts on this recommendation?

25 MR. DALE HILDEBRAND: I mean, as I said

1 in my evidence, this is not a popular recommendation, and  
2 it -- and -- but -- but what are we to do here? How are  
3 we going to try and reduce energy consumption in the  
4 remote communities?

5 And as hard as I've tried to think of some  
6 innovative things, it always comes back to, we have to  
7 reduce the amount of consumption. We have to rema --  
8 reduce the amount of diesel that's being burned.

9 And I always -- and I come back to energy  
10 management, and -- and trying to encourage consumers to -  
11 - to use elec -- less electricity.

12 MS. GLYNIS HART: Thank you, Mr.  
13 Hildebrand. Your last and final -- your final  
14 recommendation, sorry, is that the PUB should mandate  
15 that Manitoba Hydro be required to file comprehensive  
16 applications, including electronic spreadsheets.

17 Why have you made this recommendation?

18 MR. DALE HILDEBRAND: Just trying to be  
19 helpful. I've seen some significant gains in regulatory  
20 efficiencies in other jurisdictions by moving to  
21 electronic filings, and having utilities have the  
22 requirement to provide their -- their complete  
23 applications so the review process can be minimized, and  
24 I would suggest there's some efficiency gains that  
25 Manitoba could get through -- through doing similar

1 things.

2 MS. GLYNIS HART: Before finishing off,  
3 Mr. Hildebrand, do you have anything to add about that  
4 recommendation, or any other ones?

5 MR. DALE HILDEBRAND: No, thank you.

6 MS. GLYNIS HART: Thank you. We're  
7 finished then.

8 THE CHAIRPERSON: Okay. Thank you, Ms.  
9 Hart, Mr. Hildebrand, so far. Ms. Bowman...?

10 MS. MYFANWY BOWMAN: If I could just have  
11 one (1) or two (2) moments to just check something?

12

13 (BRIEF PAUSE)

14

15 MS. MYFANWY BOWMAN: Thank you.

16

17 CROSS-EXAMINATION BY MS. MYFANWY BOWMAN:

18 MS. MYFANWY BOWMAN: Mr. Hildebrand, you  
19 indicated in your evidence that you were asked to provide  
20 some alternatives to the Board. Can you tell us  
21 specifically what was -- what precisely were you asked to  
22 do? Were -- were there any parameters or were there  
23 particular questions you were asked to answer?

24 MR. DALE HILDEBRAND: There were none.

25 MS. MYFANWY BOWMAN: So you were merely

1 asked to provide alternatives?

2 MR. DALE HILDEBRAND: I was asked to  
3 review the application and the materials and prepare a  
4 list of recommendations.

5 MS. MYFANWY BOWMAN: And if I read your  
6 report correctly at page 2 you indicate that first you  
7 analyzed the revenue requirement and developed some  
8 recommendations. And you looked for ways -- specifically  
9 you looked for ways to reduce the revenue requirement?

10 MR. DALE HILDEBRAND: Correct.

11 MS. MYFANWY BOWMAN: You'd agree with me  
12 that reducing the revenue requirement was one (1) of the  
13 main goals of your recommendations, would that be fair?

14 MR. DALE HILDEBRAND: One (1) of them,  
15 yes.

16 MS. MYFANWY BOWMAN: And if I read page  
17 27 of your report correctly the effect of your  
18 recommendations when taken together is to reduce the  
19 federal government and First Nation rate by 18.9 percent,  
20 is that right?

21 MR. DALE HILDEBRAND: I think that is the  
22 consequence of -- of the -- the recommendations. It  
23 would also reduce Manitoba Hydro's subsidies  
24 considerably.

25 MS. MYFANWY BOWMAN: It also reduces the

1 federal government and First Nation subsidies by  
2 approximately 29 percent, am I right?

3 MR. DALE HILDEBRAND: Correct, subject to  
4 check.

5 MS. MYFANWY BOWMAN: I do have a few  
6 questions related to the tentative settle agreement. I  
7 have tried to cluster them together to avoid making the  
8 transcript more confusing than is absolutely necessary.  
9 I was going to get into that now if that's acceptable to  
10 the Board unless the Board wants me to organize myself  
11 differently.

12 THE CHAIRPERSON: I think that's fine.  
13 So the reporter will switch to the other transcript.  
14 Fine.

15  
16 --- Upon recessing at 9:52 a.m.

17 --- Upon resuming at 10:41 a.m.

18

19 THE CHAIRPERSON: Okay, we got the thumbs  
20 up, so we're ready to go.

21 Okay, Ms. Bowman.

22 MS. MYFANWY BOWMAN: Thank you, Mr.  
23 Chairman.

24

25 CONTINUED BY MS. MYFANWY BOWMAN:

1 MS. MYFANWY BOWMAN: Mr. Hildebrand,  
2 would you agree with me that a subsidy really involves  
3 someone paying a cost that they themselves didn't bring  
4 to the system? Would that be fair?

5 MR. DALE HILDEBRAND: It's a reasonable  
6 definition.

7 MS. MYFANWY BOWMAN: And you'd agree with  
8 me as well that a subsidy is -- is a departure from the  
9 principle of cost causation; it's a policy choice.

10 MR. DALE HILDEBRAND: Sure. Well, it  
11 could be a policy choice or it could be simply that --  
12 you know, it could -- it could be a legislative  
13 requirement or some -- some other reason and policy that  
14 -- it's -- it's a choice.

15 MS. MYFANWY BOWMAN: That's fair. Thank  
16 you. Now, in your report you speak of the revenue  
17 shortfall and you make recommendations about it. Now,  
18 that shortfall is the amount that is currently recovered  
19 through the government surcharge, is that right?

20 MR. DALE HILDEBRAND: Yes.

21 MS. MYFANWY BOWMAN: And, as I understand  
22 it, that amount represents the difference between the  
23 full cost rate and the grid equivalent rates charged to  
24 residential and general service customers for their first  
25 2,000 kilowatt hours, is that right?



1

2

(BRIEF PAUSE)

3

4

MR. DALE HILDEBRAND: I'm not quite sure I would agree with that, or maybe I didn't understand your question properly. My understanding is it's the difference between the full revenue requirement and the revenue that's collected on the rates.

9

10

11

12

13

MS. MYFANWY BOWMAN: Well, out of that revenue requirement before they calculate the revenue shortfall in the government surcharge, do they not also apply an RCC subsidy paid by the grid to benefit residential and general service customers?

14

15

16

17

MR. DALE HILDEBRAND: Yes, I believe that's correct. And -- and in this application there's also a provi -- a subsidy for not charging the provincial accounts the full cost rate.

18

19

20

MS. MYFANWY BOWMAN: But that does not form part of the government surcharge. That has been attributed to the grid customers, am I right?

21

22

23

24

MR. DALE HILDEBRAND: Manitoba Hydro has -- is proposing to exclude that -- that portion and -- and treating it as an internal subsidy before calculating the government surcharge, that's correct.

25

MS. MYFANWY BOWMAN: So by process of

1 elimination it would appear that in fact the revenue  
2 shortfall that you refer to in your report is the  
3 difference between the full cost rate and the grid  
4 equivalent rates charged to residential and general  
5 service for the first 2,000 kilowatt hours of service, is  
6 that right?

7

8

(BRIEF PAUSE)

9

10 MR. DALE HILDEBRAND: Yeah, I'll take  
11 that subject to check. I'm just not sure without  
12 thinking about it a little bit deeper that that is how  
13 the formula would work out or how the math works.

14 MS. MYFANWY BOWMAN: All right. Well,  
15 that amount, that revenue shortfall, in any event,  
16 regardless of how it's calculated, that is currently paid  
17 by government and First Nation customers through the --  
18 through the surcharge. And -- and you'd agree with me  
19 that that is a form of subsidy.

20 MR. DALE HILDEBRAND: It's a form of  
21 subsidy.

22 MS. MYFANWY BOWMAN: And you would agree  
23 with me that the costs that are being collected in that  
24 manner are not caused by the customers or -- or the  
25 customers who are paying that surcharge, the government

1 accounts and the feder -- the First Nations education  
2 accounts.

3 MR. DALE HILDEBRAND: Yes, I would agree  
4 with you.

5 MS. MYFANWY BOWMAN: Now, in your report  
6 you recommend allocating the revenue shortfall amongst  
7 the government and First Nation education customers based  
8 on the allocations that you attribute to the tentative  
9 settlement agreement.

10 Am -- am I understanding your report  
11 correctly?

12 MR. DALE HILDEBRAND: Not only the First  
13 Nation and -- and Federal, but also provincial and other  
14 government agencies as rel -- as well, yes.

15 MS. MYFANWY BOWMAN: However, you would  
16 agree with me that that's not entirely correct because if  
17 you look at the allocation through the tentative  
18 settlement agreement, it's not only the government  
19 accounts, and the Fed -- the First Nation education  
20 accounts that are paying capital costs, it is also  
21 Manitoba Hydro that pays a portion of those capital  
22 costs.

23 Is that right?

24 MR. DALE HILDEBRAND: And the provincial  
25 government.

1 MS. MYFANWY BOWMAN: Yes. When -- when  
2 I'm saying government, I'm including them. I know --

3 MR. DALE HILDEBRAND: I'm sorry, they --  
4 they're different, in my mind.

5 MR. ROBERT MAYER: They're certainly  
6 different in mine.

7

8 CONTINUED BY MS. MYFANWY BOWMAN:

9 MS. MYFANWY BOWMAN: I -- in terms of a  
10 government account, is what -- is -- when I say  
11 government account, that's -- I'm referring to all  
12 government accounts.

13 So if I read your report correctly, the  
14 impact of your recommendation is that the grid customers,  
15 or Manitoba Hydro, will fund part of the revenue  
16 shortfall.

17 MR. DALE HILDEBRAND: I think they're  
18 proposing to fund part of the revenue shortfall today.  
19 At issue, is -- is what is the appropriate portion of the  
20 revenue shortfall that Manitoba Hydro, the provincial  
21 government, the Federal Government, and First Nations  
22 fund.

23 MS. MYFANWY BOWMAN: If we compare your  
24 recommendations with the rate structure that's currently  
25 approved by this Board, you are proposing to take a

1 subsidy which is currently paid by the provinc --  
2 provincial and Federal government accounts, and the First  
3 Nations education accounts, and have the grid customers,  
4 or Manitoba Hydro, pay a portion of that subsidy.

5 Is that not the impact of your  
6 recommendation?

7 MR. DALE HILDEBRAND: Again, as we  
8 responded in some of our Information Requests, if  
9 Manitoba Hydro assumes a subsidy, how that's paid for, I  
10 don't know whether that flows through to grid customers,  
11 or whether that flows through to reduced returning --  
12 earnings for the Corporation.

13 MS. MYFANWY BOWMAN: You'll agree with  
14 me, however, that your recommendation involves allocating  
15 a portion of a subsidy that was formerly paid by  
16 provincial and Federal government accounts, and First  
17 Nation education accounts, you're proposing to allocate a  
18 portion of that subsidy to Manitoba Hydro, regardless of  
19 -- of past hydro, who pays for it, you're proposing to  
20 allocate it to Hydro.

21 Am I right?

22 MR. DALE HILDEBRAND: What I'm suggesting  
23 is that all accounts caused this revenue shortfall to  
24 incur -- be incurred, and that all accounts should be  
25 responsible for the appropriate share of that revenue

1 shortfall.

2                   And how it's collected is a -- is a rate  
3 design issue, and how that revenue shortfall is managed  
4 on the books of the various parties is an -- is an  
5 accounting issue.

6                   But let's go back to first principles.  
7 Who's causing that revenue shortfall to incur, and who's  
8 responsible for paying their prepare -- proportionate  
9 share, and it appears to me that the current rate design  
10 does not reflect that initial cost responsibility.

11

12                   (BRIEF PAUSE)

13

14                   MS. MYFANWY BOWMAN: Perhaps you didn't  
15 understand my question. My question was, and -- and  
16 perhaps I'll back up.

17                   We've agreed that the revenue shortfall  
18 that you're describing, under the approved rate  
19 structure, is currently collected from Federal and  
20 provincial government accounts, and from First Nation  
21 education customers.

22                   Can we agree on that?

23                   MR. DALE HILDEBRAND: My understanding,  
24 it's an interim rate.

25                   MS. MYFANWY BOWMAN: It's an approved

1 interim rate, but under that rate structure --

2 MR. DALE HILDEBRAND: It's an approved  
3 interim rate.

4 MS. MYFANWY BOWMAN: -- but under that  
5 rate structure, am I correct?

6 MR. DALE HILDEBRAND: Yes.

7 MS. MYFANWY BOWMAN: Now, as compared to  
8 that approved interim rate structure, is it not also  
9 correct that under your recommendation a portion of that  
10 subsidy will then be paid by Manitoba Hydro?

11 MR. DALE HILDEBRAND: And -- and again,  
12 Ms. Bowman, Manitoba Hydro is currently paying a portion  
13 of that. They -- they've absorbed a curr -- a portion of  
14 that revenue shortfall. I think we -- didn't we have  
15 that -- didn't we agree to that? No?

16 MS. MYFANWY BOWMAN: I didn't.

17 MR. DALE HILDEBRAND: I thought that was  
18 the question you previously asked me, I apologize if not.  
19 Perhaps if you could just take me to my evidence and we  
20 could be more specific, it would be more helpful for you.

21 MS. MYFANWY BOWMAN: If we look at page -  
22 - pages 8 and 9 of your report, that is where you talk  
23 about the allocation of the revenue shortfall. And you  
24 recommend assigning it on the basis of: INAC, 69 percent;  
25 other federal government, 6 percent; provincial, 4

1 percent -- I assume that means provincial government; and  
2 Manitoba Hydro, 21 percent.

3 Am I reading that correctly?

4 MR. DALE HILDEBRAND: Yes.

5 MS. MYFANWY BOWMAN: So on that basis  
6 your recommendation is that 21 percent of the revenue  
7 shortfall should be asor -- absorbed by Manitoba Hydro.  
8 Do I understand you?

9

10 (BRIEF PAUSE)

11

12 MR. DALE HILDEBRAND: I think what we're  
13 recommending is that the amount of the revenue shortfall  
14 that's included in the government rate that the federal  
15 government and First Nation education accounts would  
16 actually pay should be reduced. The consequence of that  
17 would be that they're -- Manitoba Hydro may end up with -  
18 - with higher subsidies.

19 MS. MYFANWY BOWMAN: Thank you.

20 MR. DALE HILDEBRAND: Sorry, I don't  
21 recall actually making that specific recommendation and  
22 that's what was throwing me.

23 MS. MYFANWY BOWMAN: Trust me, it jumped  
24 out at me.

25



1 (BRIEF PAUSE)

2

3 MS. MYFANWY BOWMAN: You might like to  
4 turn for a moment to one (1) of your IR responses. And  
5 I'm looking at CAC/INAC -- pardon me, CAC/MSOS/INAC-13D,  
6 as in dog, which is page 4 of your IR responses at the  
7 very top of the page.

8 And if I --

9 MR. DALE HILDEBRAND: Please, go ahead.  
10 Sorry.

11 MS. MYFANWY BOWMAN: And if I read your  
12 answer correctly, based on your calculations the federal  
13 government and First Nations are not being asked to bear  
14 the entirety of the proposed interest costs under  
15 Manitoba Hydro's rate proposal. You've confirmed that,  
16 am I right?

17 MR. DALE HILDEBRAND: Yes, in response to  
18 13-D, we have shown that if the interest costs were  
19 reduced by some two hundred and twenty-three thousand  
20 dollars (\$223,000) the net cost reduction to the federal  
21 government and First Nations accounts would be about 59  
22 percent of that.

23 MS. MYFANWY BOWMAN: So, 41.4 percent --  
24 41 percent of that interest cost is being borne by  
25 someone else. Would I be correct in assume that's the

1 grid?

2 MR. DALE HILDEBRAND: I think it's  
3 Manitoba Hydro.

4 MS. MYFANWY BOWMAN: Manitoba Hydro,  
5 pardon me. Thank you. I'm going to take you to the  
6 application, Manitoba Hydro's rate application and I'm  
7 looking specifically at page 6 of that application.

8

9 (BRIEF PAUSE)

10

11 MR. DALE HILDEBRAND: Yes.

12 MS. MYFANWY BOWMAN: And would you agree  
13 with me that, according to the application, the interest  
14 and depreciation being included in the application is 79  
15 percent of interest and depreciation on a number of  
16 specific expenses? Am I right?

17

18 (BRIEF PAUSE)

19

20 MR. DALE HILDEBRAND: Yes, that appears  
21 to be the case.

22 MS. MYFANWY BOWMAN: And at line 16 it  
23 indicates that:

24 "The 79 percent represents the portion  
25 of which the federal government and

1 agencies and First Nation education  
2 accounts are responsible."

3 Do you agree with my reading of that appli  
4 -- that page on the application?

5 MR. DALE HILDEBRAND: Yes, that's what it  
6 says.

7 MS. MYFANWY BOWMAN: So you would agree  
8 with me then that the federal government and First  
9 Nations are not being asked to be fully responsible for  
10 the interest and depreciation costs incurred by Manitoba  
11 Hydro but in fact Manitoba Hydro's application is only  
12 seeking to apply a portion of those costs to the federal  
13 government and First Nation accounts. Am I right?

14 MR. DALE HILDEBRAND: The federal  
15 government, First Nations, and provincial government  
16 accounts, correct.

17

18 (BRIEF PAUSE)

19

20 MS. MYFANWY BOWMAN: Thank you. So we  
21 can agree that Manitoba Hydro is only asking the federal  
22 government and First Nation accounts to bear part of that  
23 costs. And as a result of the structure -- of the rate  
24 structure, in fact, a portion of that portion is going  
25 elsewhere, so the impact on federal government and First

1 Nation accounts is reduced, is that fair? If it's  
2 somewhat inelegantly phrased I apologize.

3 MR. DALE HILDEBRAND: I think I can agree  
4 with you that what we're recommending is that the parties  
5 be responsible for the revenue shortfall based on the  
6 energy that was used from 2001 to 2004 which results in  
7 the percentages that we just discussed in my evidence,  
8 and our recommendation is that those percentages are how  
9 the revenue shortfall should be allocated, and based on  
10 Manitoba Hydro's proposal that the First Nations  
11 customers and the federal government and provincial  
12 government customers would pay less than what Manitoba  
13 Hydro's proposed.

14 MS. MYFANWY BOWMAN: I -- I think I may  
15 have confused you because I had actually moved on to  
16 interest and depreciation and I was no longer talking  
17 about the revenue shortfall.

18 MR. DALE HILDEBRAND: Okay.

19 MS. MYFANWY BOWMAN: Based on the IR  
20 response that we had discussed, and that's CAC/MSOS/INAC-  
21 13D, you have confirmed that the interest and  
22 depreciation costs included in Manitoba Hydro's rate  
23 proposal are not going entirely to the federal government  
24 and First Nations accounts, but in fact a portion of them  
25 is going to -- to Manitoba Hydro, is that right?

1                   MR. DALE HILDEBRAND:   Well, what you  
2 asked or what we anticipated that you were looking for in  
3 the response to D was what would happen if the interest  
4 cost was removed from the revenue requirement. And what  
5 we tried to show is that if you remove that two hundred  
6 and twenty-three thousand dollars (\$223,000) from the  
7 proposed revenue requirement, that it would reduce the  
8 subsidies to both Manitoba Hydro and the federal  
9 government and First Nations accounts.

10                   MS. MYFANWY BOWMAN:   Thank you. And  
11 we've also agreed that the interest and depreciation that  
12 Manitoba Hydro is seeking to have included in the full  
13 cost rate is in fact not the entirety of the interest and  
14 depreciation incurred by Manitoba Hydro, but 79 percent  
15 of it, which is the portion that Manitoba Hydro  
16 attributes to federal government and First Nation  
17 customers, is that right?

18                   MR. DALE HILDEBRAND:   Correct. Manitoba  
19 Hydro has determined and proposed that 21 percent of the  
20 costs are related to those accounts that are not First  
21 Nations or government accounts.

22                   MS. MYFANWY BOWMAN:   Thank you. Have you  
23 rewor -- reviewed Board Order 1/10, which was the order  
24 flowing from the last diesel hearing?

25                   MR. DALE HILDEBRAND:   Yes.

1 MS. MYFANWY BOWMAN: There is a table in  
2 that order which is confirmed, but sadly not reproduced  
3 and one (1) of the IR responses, PUB/Manitoba Hydro-9B,  
4 and it refers to cost absorbed by the grid on behalf of  
5 the diesel zone.

6 And I'm wondering if you will accept,  
7 subject to check, that according to that Board Order  
8 confirmed by Manitoba Hydro that in the process of  
9 reaching the 2004 tentative settlement agreement Manitoba  
10 Hydro absorbed \$16.9 million in accumulated deficit  
11 through the net -- through the allocation of net export  
12 revenues. Would you agree that -- would you agree with  
13 that?

14 MR. DALE HILDEBRAND: Yes. Subject to  
15 check.

16 MS. MYFANWY BOWMAN: And would you agree  
17 as -- as well, subject to check, that in that process  
18 Manitoba Hydro absorbed \$1.5 million in unpaid  
19 surcharges?

20 MR. DALE HILDEBRAND: Subject to check.

21 MS. MYFANWY BOWMAN: And would you agree  
22 with me, also subject to check, that Manitoba Hydro  
23 absorbed approximately 6.05 million in undepreciated  
24 capital costs?

25 MR. DALE HILDEBRAND: Yes.

1 MS. MYFANWY BOWMAN: And if my math is  
2 correct, that brings us to a little over \$24 million?

3 MR. DALE HILDEBRAND: Sure, subject to  
4 check.

5 MS. MYFANWY BOWMAN: I'm going to ask you  
6 to look at PUB/Manitoba Hydro-9C.

7

8 (BRIEF PAUSE)

9

10 MR. DALE HILDEBRAND: Yes. I have that.  
11 Thank you.

12 MS. MYFANWY BOWMAN: And would you agree  
13 with my interpretation of this answer being that Manitoba  
14 Hydro has attempted to -- to update or explain some  
15 information cont -- referred to in Order 110?

16 MR. DALE HILDEBRAND: Yes. That's what  
17 it appears to be.

18 MS. MYFANWY BOWMAN: And it provides a  
19 table with four (4) columns. One (1) is total, the next  
20 is INAC/First Nations, the next is other government, and  
21 the last column is the grid. And it then lists a number  
22 of -- of costs related to diesel service? Am I reading  
23 that correctly?

24 MR. DALE HILDEBRAND: That's what it  
25 appears to be. Yes.

1 MS. MYFANWY BOWMAN: And if I read this  
2 table correctly it indicates that the grid has absorbed  
3 slowly over half a million dollars in interest and  
4 depreciation on a capital, is that right?

5

6 (BRIEF PAUSE)

7

8 MR. DALE HILDEBRAND: Yes. And by assume  
9 that I assu -- I assume Manitoba Hydro means the grid  
10 being Manitoba Hydro?

11 MS. MYFANWY BOWMAN: That is my  
12 assumption in this case at least, as well. That table  
13 also indicates that Manitoba Hydro or the grid has  
14 provided \$4.87 million in RCC subsidy, is that right?

15 MR. DALE HILDEBRAND: Yes.

16 MS. MYFANWY BOWMAN: The grid or Manitoba  
17 Hydro has also provided 7.1 million in variable operating  
18 cost subsidy?

19 MR. DALE HILDEBRAND: Yes.

20 MS. MYFANWY BOWMAN: As well, the grid  
21 appears to have absorbed capital costs not recovered in  
22 the amount of approximately \$1.5 million, is that right?

23 MR. DALE HILDEBRAND: Yes. That's the  
24 numbers.

25 MS. MYFANWY BOWMAN: And you'll be



1 grateful to hear that Manitoba Hydro has done the math  
2 and has totalled it up to \$14.03 million, is that  
3 correct?

4 MR. DALE HILDEBRAND: Yes.

5 MS. MYFANWY BOWMAN: And the other  
6 columns indicate that INAC and the First Nations have  
7 provided approximately \$6.7 million from those various  
8 categories, is that right?

9 MR. DALE HILDEBRAND: Yes.

10 MS. MYFANWY BOWMAN: And the other  
11 government customers have provided approximately 0.98  
12 million?

13 MR. DALE HILDEBRAND: Right.

14 MS. MYFANWY BOWMAN: Now, as I understood  
15 the evidence of Manitoba Hydro when I asked them about  
16 this table, and I believe you were in the room at the  
17 time, they indicated that the bulk of the cost attributed  
18 to INAC and the First Nations had not actually been paid.  
19 This was merely their allocation.

20 Was that your recollection of the evidence  
21 as well?

22 MR. DALE HILDEBRAND: I don't recall.

23 MS. MYFANWY BOWMAN: All right. We'll  
24 refer to the transcript for that then. Thank you.

25

1 (BRIEF PAUSE)

2

3 MS. MYFANWY BOWMAN: I'm going to ask you  
4 to turn now to CAC/MSOS/Manitoba Hydro 13G.

5 MR. DALE HILDEBRAND: Yes, we have that.

6 MS. MYFANWY BOWMAN: And this is an IR  
7 response that is correcting something from one (1) of the  
8 tables that is included in the Application, which is why  
9 I've -- I refer you to this version, to make sure we're  
10 dealing with the right numbers.

11 As I read this, it indicates that the grid  
12 provides the diesel zone with the annual RCC subsidi --  
13 subsidies in this Application totalling just over \$1  
14 million.

15 Is that right?

16 MR. DALE HILDEBRAND: Correct.

17 MS. MYFANWY BOWMAN: And a tail rate  
18 subsidy of three hundred and twenty-two thousand  
19 (322,000).

20 MR. DALE HILDEBRAND: That's what  
21 Manitoba Hydro has proposed, yes.

22 MS. MYFANWY BOWMAN: As well as a  
23 government rate variance of a little over thirty-one  
24 thousand (31,000). Is that right?

25 MR. DALE HILDEBRAND: Correct.

1 MS. MYFANWY BOWMAN: That would bring us  
2 to subsidies from the grid totalling \$1.4 million for  
3 this year. Is that right?

4 MR. DALE HILDEBRAND: Subject to check.

5 MS. MYFANWY BOWMAN: And then of course  
6 we -- we also understand that the proposed -- that the  
7 rate proposal before this Board involves moving the  
8 provincial government accounts to the general service  
9 class, and that involves subsidies from Manitoba Hydro of  
10 approximately seven hundred and fifty-seven thousand  
11 dollars (\$757,000).

12 Is that also right?

13 MR. DALE HILDEBRAND: Correct.

14 MS. MYFANWY BOWMAN: So if you added all  
15 of those subsidies for Manitoba Hydro to the diesel zone  
16 together, you'd get just over \$2 million. Is that right?

17 MR. DALE HILDEBRAND: Two point two (2.2)  
18 million, yes.

19 MS. MYFANWY BOWMAN: You would also agree  
20 with me that where expenses and costs are not paid, or  
21 not paid yet, those expenses accrued Manitoba Hydro.

22 Is that right?

23 MR. DALE HILDEBRAND: Manitoba Hydro  
24 incurs a cost, and is not able to -- until they're able  
25 to collect the revenue, yes.

1 MS. MYFANWY BOWMAN: Thank you. I'd like  
2 to then bring you back after -- after a little side road  
3 there into subsidies, bring you back to the issue of  
4 capital costs.

5 And in your report, if I'm reading you  
6 correctly, you su -- and perhaps I'll rephrase that. In  
7 your -- one (1) of your IR responses I'm looking at,  
8 PUB/INAC-15A.

9

10 (BRIEF PAUSE)

11

12 MR. DALE HILDEBRAND: Yes.

13 MS. MYFANWY BOWMAN: And one (1) of your  
14 other IR responses as well. You suggest that -- that  
15 upgrades to comply with provincial legislation, and I'm  
16 thinking specifically of -- of fall arrest, equipment,  
17 and fire suppression, you suggest that those upgrades do  
18 not benefit the diesel communities.

19 Have I understood your evidence correctly?

20 MR. DALE HILDEBRAND: Correct.

21 MS. MYFANWY BOWMAN: And you suggest that  
22 the benefit of those upgrades accrues to Man -- either  
23 Manitoba Hydro employees, or to the province of Manitoba.

24 Do I understand you correctly?

25 MR. DALE HILDEBRAND: Yes.

1 MS. MYFANWY BOWMAN: So if I follow your  
2 logic, it would be true that any type of safety  
3 equipment, be it hard hats, harnesses, whatever kind of  
4 protective gear or safety equipment, the benefit of that  
5 equipment is to the employee, and not Manitoba Hydro's  
6 customers.

7 Am I understanding you correctly?

8 MR. DALE HILDEBRAND: Well, those other  
9 things you mentioned are not capital expenditures. Those  
10 are typically operating costs which are included in the  
11 revenue requirements.

12 MS. MYFANWY BOWMAN: But the benefit of  
13 that expenditure, whether it's capital or not, flows to  
14 employees, not to customers by your logic. Am I  
15 understanding you correctly?

16 MR. DALE HILDEBRAND: No, you're not  
17 understanding me correctly. What I'm saying is that for  
18 capital expenditures there's an agreement in place that  
19 says there will be meaningful consultation before those  
20 expenditures are made, and so that the parties who are  
21 responsible for those costs can understand those costs,  
22 approve those costs, and re -- and ensure that funding's  
23 in place for those costs. And if that does not happen,  
24 then I'm not sure that those costs should be included in  
25 the revenue requirement.

1 MS. MYFANWY BOWMAN: I didn't ask you  
2 about capital costs or the tentative settlement  
3 agreement. I asked you who benefits from those  
4 expenditures. And you have indicated in your evidence  
5 that expenditures for fall arrest, equipment, and fire  
6 suppression do not benefit the customers; they benefit  
7 the employees and Manitoba -- and the province of  
8 Manitoba.

9 And you confirmed that I correctly  
10 understand your evidence in that regard, yes?

11 MR. DALE HILDEBRAND: You need to put my  
12 evidence in context. The context is the tentative  
13 settlement agreement that says the capital costs are  
14 required to provide benefits to the community and that  
15 those capital costs are reviewed by the First Nations as  
16 part of a consultation process.

17 My understanding is that for some of these  
18 capital costs the consultation process did not take  
19 place, and, therefore, my conclusion is that Manitoba  
20 Hydro expended those capital costs to benefit their  
21 employees and/or the provincial government. If they did  
22 not do the consultation, then they must have been doing  
23 it for their own reasons.

24 MS. MYFANWY BOWMAN: I didn't ask you  
25 about consultation.

1 MR. DALE HILDEBRAND: But that is my  
2 answer.

3 MS. MYFANWY BOWMAN: I think your answer  
4 speaks for itself, sir. Thank you.

5 MR. DALE HILDEBRAND: I am trying to be  
6 helpful, but putting words in my mouth I don't think is  
7 helpful either.

8 MS. MYFANWY BOWMAN: I'll try to refer  
9 explicitly to your evidence in that case. You would  
10 agree with me that there are a variety of federal and  
11 provincial acts that place obligations on Manitoba Hydro  
12 to purchase, install, and use various types of equipment.  
13 Would you agree with me?

14 MR. DALE HILDEBRAND: Yes, of course.

15 MS. MYFANWY BOWMAN: Some of those pieces  
16 of legislation might include workplace safety and health  
17 legislation, environmental legislation, building codes,  
18 and so on and so forth.

19 MR. DALE HILDEBRAND: Yes, of course.

20 MS. MYFANWY BOWMAN: You would also agree  
21 with me that Manitoba Hydro is legally obliged to provide  
22 a safe workplace.

23 MR. DALE HILDEBRAND: Absolutely.

24 MS. MYFANWY BOWMAN: And that providing a  
25 safe workplace is part -- part -- is an integral part of

1 the safe operation of any electrical facility.

2 MR. DALE HILDEBRAND: Yes.

3 MS. MYFANWY BOWMAN: Aside from  
4 legislation dealing with safe workplaces, there are a  
5 number of other types of legislation that apply to  
6 Manitoba Hydro.

7 Whether it's legislation specific to the  
8 energy sector or whether it's criminal law, environmental  
9 law, tax law, employment standards, all of those  
10 different kinds of legislation apply to Manitoba Hydro,  
11 yes?

12 MR. DALE HILDEBRAND: I believe though  
13 its laws apply to all corporations and individuals.

14 MS. MYFANWY BOWMAN: And there can be  
15 serious consequences to failing to comply with the  
16 statutory requirements. Would you agree with me?

17 MR. DALE HILDEBRAND: There can be, yes.

18 MS. MYFANWY BOWMAN: Would you agree with  
19 me that fire suppression -- a fire suppression system is  
20 a necessary part of a generation facility?

21 MR. DALE HILDEBRAND: Yes, but the issue  
22 I think is the upgrade to the fire suppression system.

23 MS. MYFANWY BOWMAN: I didn't ask you  
24 about the upgrade. I asked you about fire suppression  
25 specifically. Is -- a fire suppression system is -- is



1 essential, you would agree with me?

2 MR. DALE HILDEBRAND: Well, I think you  
3 have to go back and -- and look at the equipment that's  
4 in place and what kind of a structure it's in and are  
5 there combustible materials and, you know, what are the  
6 codes, et cetera, so it's a fairly general question.  
7 There are many diesel fire generating stations in remote  
8 communities that I've been in that do not have fire  
9 suppression systems.

10 MS. MYFANWY BOWMAN: Fair enough. Thank  
11 you. You would agree with me that if the generating  
12 station in Shamattawa were to burn down that it is not  
13 Winnipeg's lights that will go out, you would agree with  
14 that?

15 MR. DALE HILDEBRAND: Yes.

16 MS. MYFANWY BOWMAN: Now, you expressed  
17 the view in your report that Manitoba Hydro has failed to  
18 consult as required by the tentative settlement  
19 agreement. Have I understood you correctly?

20 MR. DALE HILDEBRAND: Yes.

21 MS. MYFANWY BOWMAN: And you also, I  
22 believe, expressed the view that the costs associated  
23 with delays in consultation should not be to the account  
24 of the federal government and First Nation customers, is  
25 that right?

1 MR. DALE HILDEBRAND: Should not be fully  
2 to the account of the First Nations and federal  
3 government accounts.

4 MS. MYFANWY BOWMAN: And that's because,  
5 in your view, the delays or failures are the  
6 responsibility of Manitoba Hydro, it's -- it's their  
7 fault?

8 MR. DALE HILDEBRAND: Well, I think the -  
9 - the saying is, It takes two (2) to tango.

10 MS. MYFANWY BOWMAN: So am I  
11 understanding you to say that the party responsible for  
12 the failure or delay should be paying the costs of that  
13 failure and delay?

14 MR. DALE HILDEBRAND: I'm not suggesting  
15 that, or I don't -- not recommending that. What I am  
16 suggesting is that those depreciation interest costs  
17 should not be in the revenue requirement.

18 MS. MYFANWY BOWMAN: They should be  
19 absorbed by the party who caused those costs to be  
20 incurred, is that right?

21 MR. DALE HILDEBRAND: Well, I think the  
22 intent is that those capital expenditures will be paid  
23 and therefore there will be no depreciation expense. With  
24 respect to interest charges, although I don't think I've  
25 made a specific recommendation, it would follow that if

1 there are real costs associated with those delays that  
2 the parties responsible maybe should take some cost  
3 responsibility.

4 MS. MYFANWY BOWMAN: Thank you. So in  
5 the event that the First Nations or INAC were responsible  
6 for failure or delays you would agree that they might be  
7 required -- might appropriately be required to bear some  
8 of that cost?

9 MR. DALE HILDEBRAND: I assume the  
10 parties will negotiate what they feel is appropriate and  
11 fair.

12 MS. MYFANWY BOWMAN: Thank you. Now, you  
13 have indicated in some of your IR responses that a number  
14 of costs should be recovered from Manitoba Hydro's  
15 shareholder, the Province of Manitoba. Have I understood  
16 you correctly?

17 MR. DALE HILDEBRAND: Can you take me to  
18 a specific reference. I don't believe it specifically  
19 said that they should be recovered, either from grid  
20 customers or from the shareholder.

21

22 (BRIEF PAUSE)

23

24 MS. MYFANWY BOWMAN: I'll take you to  
25 CAC/MSOS-INAC-13, and I'm looking at sub -- sub-question

1 'C'. And the question is:

2 "With respect to Part B for those  
3 projects where Desiderata indicates  
4 Manitoba Hydro should be fully  
5 responsible, please confirm that it is  
6 Manitoba Hydro customers paying grid  
7 based rates who will ultimately be  
8 responsible for such costs and why this  
9 is appropriate."

10 That was the question, yes?

11 MR. DALE HILDEBRAND: Please proceed.

12 MS. MYFANWY BOWMAN: That was the  
13 question?

14 MR. DALE HILDEBRAND: Yes.

15 MS. MYFANWY BOWMAN: And as I read your  
16 answer it says

17 "Not confirmed. Desiderata envisions  
18 that costs associated with major  
19 capital expenditures that are not  
20 collected from Manitoba Hydro diesel  
21 customers as per the terms of the  
22 minutes of settlement, could ultimately  
23 be born by 1) Manitoba Hydro  
24 shareholder, the Manitoba provincial  
25 government; 2) All Manitoba Hydro

1 customers through increased revenue  
2 requirement and increased rates."  
3 Have I read that part of your answer  
4 correctly?

5 MR. DALE HILDEBRAND: Yes.

6 MS. MYFANWY BOWMAN: So you are  
7 indicating that some costs could/or should potentially be  
8 passed on to Manitoba Hydro shareholder, the provincial  
9 government, right?

10 MR. DALE HILDEBRAND: Could ultimately be  
11 born by their shareholder, correct.

12 MS. MYFANWY BOWMAN: So are you of the  
13 view then the Manitoba Hydro has a means of requiring the  
14 Province of Manitoba to pay such costs?

15 MR. DALE HILDEBRAND: I do not believe  
16 that Manitoba Hydro is asking their -- the government to  
17 pay them directly. I believe it would just simply be a  
18 reduction in retained earnings on the books of the -- of  
19 Manitoba Hydro.

20 MS. MYFANWY BOWMAN: So that's how you're  
21 proposed that that should happen?

22 MR. DALE HILDEBRAND: I'm not proposing,  
23 I'm just saying that -- how it could ultimately be borne.  
24 I don't think it's my place to tell Manitoba Hydro how  
25 they should do their accounting or to make a

1 recommendation on how Manitoba Hydro should do their  
2 accounting.

3

4 (BRIEF PAUSE)

5

6 MS. MYFANWY BOWMAN: I'm looking at your  
7 answer to PUB/INAC-14B.

8 MR. DALE HILDEBRAND: Yes, go ahead.

9 MS. MYFANWY BOWMAN: And that question  
10 relates to capital expenditures of less than one hundred  
11 thousand dollars (\$100,000) per item.

12 And you indicate in that response, as I  
13 understand it, that you believe that they are not  
14 captured by the minutes of settlement and tentative  
15 settlement agreement, am I correct?

16 MR. DALE HILDEBRAND: That's my  
17 understanding of the reading of those agreements.

18 MS. MYFANWY BOWMAN: So it's your  
19 evidence then that capital expenditures less than a  
20 hundred thousand dollars (\$100,000) would fall outside of  
21 the tentative settlement agreement?

22 MR. DALE HILDEBRAND: Correct.

23 MS. MYFANWY BOWMAN: Were you present for  
24 Mr. Mills' evidence, for Manitoba Hydro's evidence?

25 MR. DALE HILDEBRAND: I was present.

1 MS. MYFANWY BOWMAN: Did you hear  
2 Manitoba Hydro's evidence that it was their view that all  
3 capital regardless of amount is included in the tentatis  
4 -- tentative settlement agreement, but if it was not  
5 captured that the -- if there was no contribution that  
6 those amounts would then go into rates.

7 Did you hear that evidence?

8 MR. DALE HILDEBRAND: Subject to check.  
9 Yes.

10 MS. MYFANWY BOWMAN: And did you hear  
11 INAC's evidence -- and I'll quote you -- quote you from  
12 the transcript if you'll bear with me for a moment.

13

14 (BRIEF PAUSE)

15

16 MS. MYFANWY BOWMAN: And we'll -- I'm at  
17 page 634 of the transcript.

18 "Mr. Fred Mills: No. INAC's view is  
19 that all capital is part of the  
20 settlement agreement and the definition  
21 of the reason for the hundred thousand  
22 dollar (\$100,000) limit is so that --  
23 as Hydro talked about yesterday is so  
24 they don't have to come back for all  
25 the small stuff and go through a long

1                   convoluted consultation process to  
2                   spend fifty thousand dollars  
3                   (\$50,000)."

4                   Have I read that correctly?

5                   MR. DALE HILDEBRAND:    Sorry.  I couldn't  
6 find it quickly enough, but I'll take that subject to  
7 check.

8                   MS. MYFANWY BOWMAN:    I'll -- I'll give  
9 you a moment to look for it.

10                  MS. GLYNIS HART:    Could you repeat where  
11 that is please, Ms. Bowman?

12                  MS. MYFANWY BOWMAN:    Page 634 of the  
13 transcript and I'm starting at line 15.

14

15                                       (BRIEF PAUSE)

16

17                  MR. DALE HILDEBRAND:    Yes.  We have that.  
18 Thank you.

19                  MS. MYFANWY BOWMAN:    And I have correctly  
20 characterized Mr. Mills' evidence?

21                  MR. DALE HILDEBRAND:    Yes.

22                  MS. MYFANWY BOWMAN:    Given the evidence  
23 of Manitoba Hydro and INAC, are you prepared to agree  
24 that -- now that capital expenditures of less than a  
25 hundred thousand dollars (\$100,000) are intended to be



1 included in the tentative settlement agreement process?

2 MR. DALE HILDEBRAND: Well, if the  
3 parties to the agreement are of that view, then  
4 presumably that's how they'll conduct business.

5 MS. MYFANWY BOWMAN: So you would agree  
6 that that does appear to be their intention?

7 MR. DALE HILDEBRAND: That does appear to  
8 be their intention.

9 MS. MYFANWY BOWMAN: Would you also agree  
10 with me that prior to 2004 a significant portion of the  
11 revenue requirement was related to capital costs?

12 MR. DALE HILDEBRAND: Yes.

13 MS. MYFANWY BOWMAN: And would you agree  
14 that the reason capital costs were taken out of the rates  
15 was because they were -- they were to be collected  
16 through contributions pursuant to the tentative  
17 settlement agreement?

18 MR. DALE HILDEBRAND: Well, in my view,  
19 the reason they were taken out was to try and make this  
20 process more tenable and to allow the First Nations to  
21 have a review of those capital costs and approve them and  
22 ensure that funding was in place. That -- that's my  
23 understanding of the reason why. The consequence is, as  
24 you suggested, they were removed from rates.

25 MS. MYFANWY BOWMAN: Thank you. Perhaps

1 I was imprecise. Are you aware of Manitoba Hydro's  
2 position that any capital costs that are not funded  
3 through the tentative settlement agreement process are to  
4 be included in rates?

5 Are you aware of that position of Manitoba  
6 Hydro's?

7 MR. DALE HILDEBRAND: Yes, I believe I  
8 heard that in late September.

9  
10 (BRIEF PAUSE)

11  
12 MS. MYFANWY BOWMAN: And I'll take you to  
13 page 641 of the transcript, and I'm looking at line 21,  
14 and that is my question to Mr. Mills:

15 "You would agree with me that in the  
16 event that capital co..."

17 Have you found it?

18 MR. DALE HILDEBRAND: Yes, thank you.

19 MS. MYFANWY BOWMAN: Yes? Okay.

20 "You would agree with me that in the  
21 event that capital costs are not funded  
22 through customer contributions directly  
23 that they then form part of the revenue  
24 requirement. You would agree with that  
25 statement?"

1 And Mr. Mills' answer on the next page is:

2 "If Hydro didn't recover the capital  
3 contributions that they saw fit to be  
4 charged to the customers in the diesel  
5 communities. I believe Hydro answered  
6 that question, that they would put them  
7 into -- in the rates."

8 Am I correctly reading that answer?

9 MR. DALE HILDEBRAND: Yes.

10 MS. MYFANWY BOWMAN: Are you prepared to  
11 concede on the basis of that evidence then that capital  
12 costs not funded through contributions pursuant to the  
13 tentative settlement agreement would normally form part  
14 of the revenue requirement?

15 MR. DALE HILDEBRAND: Only if those  
16 capital -- and again I'm not sure if you're -- you're  
17 asking me to differentiate between above and below a  
18 hundred thousand dollars (\$100,000).

19 But above a hundred thousand dollars  
20 (\$100,000), if the consultation had taken place, and  
21 funding was secured, then they should go in the revenue  
22 requirement.

23 MS. MYFANWY BOWMAN: Thank you.

24 MR. ROBERT MAYER: That sounds backwards  
25 to me.

1 MR. DALE HILDEBRAND: I apologize if I  
2 misspoke. Would you like me to clarify?

3 MR. ROBERT MAYER: If -- if funding -- if  
4 consultation took place, and funding was obtained, the  
5 item would come out of the revenue requirement, not --

6 MR. DALE HILDEBRAND: Yes, sir, you're  
7 correct. My apologies.

8

9 CONTINUED BY MS. MYFANWY BOWMAN:

10 MS. MYFANWY BOWMAN: So it's your  
11 position the that costs not collected through the  
12 tentative settlement agreement process would not form  
13 part of rates, despite the evidence of Manitoba Hydro and  
14 INAC.

15 MR. DALE HILDEBRAND: I think the intent  
16 is that if the parties agree that they want capital costs  
17 to be included in the tariff then they'll agree to do  
18 that, whether it's above a hundred thousand dollars  
19 (\$100,000), or even if they've gone through the  
20 consultation process but they've agreed that at this time  
21 it's not possible for the First Nations to come up with  
22 the funding, that those capital costs could go into the  
23 revenue requirement, and form part of the tariff.

24 But my view is that that would be done  
25 based on agreement amongst the parties, and if the

1 parties agreed that funding would be provided then those  
2 capital costs would not form part of the revenue  
3 requirement.

4                   As you've pointed out, for those costs  
5 below a hundred thousand dollars (\$100,000) there --  
6 there's a little bit different process, but I think the  
7 same methodology applies.

8                   MS. MYFANWY BOWMAN: Thank you. Moving  
9 to a slightly different topic, would you agree with me  
10 that soil remediation costs referred to in your report  
11 are related to soil contamination at diesel facilities?

12                   MR. DALE HILDEBRAND: Yes.

13                   MS. MYFANWY BOWMAN: And that those  
14 facilities are used for providing electricity to First  
15 Nations and remote communities.

16                   Am I right?

17                   MR. DALE HILDEBRAND: I -- I think we  
18 need maybe to drill down a little bit. My understanding  
19 is that in some sites there is some cross-contamination  
20 that may have occurred, and that the diesel contaminated  
21 soil may not have all come from electric generation  
22 facilities.

23                   MS. MYFANWY BOWMAN: That's fair. But  
24 the contamination for which Manitoba Hydro, in theory,  
25 would be responsible is the contamination related to

1 generation of diesel electricity.

2 MR. DALE HILDEBRAND: In theory you would  
3 think, yes.

4 MS. MYFANWY BOWMAN: And that electricity  
5 is provided to -- to the diesel First Nation's remote  
6 communities, right?

7 MR. DALE HILDEBRAND: Presumably, yes.

8

9 (BRIEF PAUSE)

10

11 MS. MYFANWY BOWMAN: You'd agree with me  
12 that electricity is an essential service?

13

14 (BRIEF PAUSE)

15

16 MS. MYFANWY BOWMAN: You'd agree with me  
17 electricity is an essential service?

18 MR. DALE HILDEBRAND: It's a fairly broad  
19 statement. There are people that live without  
20 electricity, so I -- I think we can talk about defining  
21 "essential". It seems to be a marketing slogan for a lot  
22 of utilities in Canada these days.

23 MS. MYFANWY BOWMAN: So you -- you're not  
24 necessarily convinced that -- that electricity is an  
25 essential service?

1 MR. DALE HILDEBRAND: I -- I'm just  
2 saying it's a fairly broad brush. What is essential? Is  
3 -- is it essential to live? No. Is it essential in -- in  
4 what's expected in today's modern society? Yes.

5 MS. MYFANWY BOWMAN: Would you agree that  
6 it provides a benefit to the individuals, and families,  
7 and communities that use it?

8 MR. DALE HILDEBRAND: Absolutely.

9 MS. MYFANWY BOWMAN: And would you agree  
10 that a reliable supply of electricity provides a benefit  
11 to those individuals, families, and communities?

12 MR. DALE HILDEBRAND: Absolutely.

13

14 (BRIEF PAUSE)

15

16 MS. MYFANWY BOWMAN: Moving on to an  
17 entirely different topic. Would you agree with me that  
18 there are special challenges presented by trying to  
19 deliver energy management programs in remote communities?

20 MR. DALE HILDEBRAND: Yes, I would.

21 MS. MYFANWY BOWMAN: And particularly  
22 remote First Nations communities?

23 MR. DALE HILDEBRAND: Yes, absolutely.

24 MS. MYFANWY BOWMAN: Remoteness would be  
25 one (1) of those challenges, it makes it hard to get

1 supplies and exp -- and expertise into and out of those  
2 communities?

3 MR. DALE HILDEBRAND: Yes.

4 MS. MYFANWY BOWMAN: It can make it  
5 expensive as well.

6 MR. DALE HILDEBRAND: Unfortunately, yes.

7 MS. MYFANWY BOWMAN: You would agree that  
8 the evidence we've heard so far suggest that many of the  
9 customers in the diesel communities are low income  
10 customers?

11 MR. DALE HILDEBRAND: Yes.

12 MS. MYFANWY BOWMAN: Which makes it more  
13 difficult for them to invest in efficiency measures at  
14 times?

15 MR. DALE HILDEBRAND: Correct.

16 MS. MYFANWY BOWMAN: You would agree as  
17 well that many of the customers on First Nations don't  
18 own their own homes?

19 MR. DALE HILDEBRAND: Yes.

20 MS. MYFANWY BOWMAN: There are a variety  
21 of heat sources being used in these communities and that  
22 can be a challenge as well, is that right?

23 MR. DALE HILDEBRAND: As I understand it,  
24 it's -- it's a challenge, yes.

25 MS. MYFANWY BOWMAN: It would be fair



1 also to say that the First Nations have many pressing  
2 issues facing them and energy efficiency is not always  
3 front and centre.

4 Would that be fair?

5 MR. DALE HILDEBRAND: I -- I would think  
6 it's lower on the list, yes.

7 MS. MYFANWY BOWMAN: And it would be fair  
8 to say that uptake for those programs in the diesel  
9 communities has been low?

10 MR. DALE HILDEBRAND: I -- I don't know,  
11 but I assume it has been -- been low.

12 MS. MYFANWY BOWMAN: The fact that we  
13 don't know the extent to which electricity is being used  
14 for space heating is another challenge in terms of  
15 programming for diesel communities, is that fair?

16 MR. DALE HILDEBRAND: Yes.

17

18 (BRIEF PAUSE)

19

20 MS. MYFANWY BOWMAN: I'm looking at your  
21 Information Request response Manitoba Hydro/INAC-1-D.

22 MR. DALE HILDEBRAND: Yes.

23 MS. MYFANWY BOWMAN: And paragraph 2 of  
24 that response indicates:

25 "Desiderata has no evidence to suggest



1 customers, energy management programming and customer  
2 education would be the best way to reach those customers?

3 MR. DALE HILDEBRAND: Yes.

4 MS. MYFANWY BOWMAN: And you would agree  
5 with me that -- that energy management and customer  
6 education done well can be an effective way of trying to  
7 reduce consumption.

8 MR. DALE HILDEBRAND: Yes.

9 MS. MYFANWY BOWMAN: And would it be fair  
10 to say that that's in part because it gives customers the  
11 tools to reduce their consumption?

12 MR. DALE HILDEBRAND: The tools and the  
13 knowledge.

14 MS. MYFANWY BOWMAN: That's a -- an  
15 appropriate distinction. Thank you. Would you agree, as  
16 well, that it's partly because it is more likely to reach  
17 those customers who aren't getting that price signal?

18 MR. DALE HILDEBRAND: Yes. Not getting  
19 that direct price signal. I mean, I -- sorry -- even  
20 though the customer may not -- and let's just talk about  
21 a First Nations' band member, they not -- may not be  
22 getting that price signal directly, but I presume that  
23 they're still part of the band and that the financial  
24 integrity of the band is -- directs them indirectly and  
25 that there may be some consequence there that they may or

1 may not understand.

2 MS. MYFANWY BOWMAN: That's a lot of may  
3 or may nots and -- and assumes, but thank you. I'll --  
4 I'll take that.

5 MR. DALE HILDEBRAND: My understanding is  
6 it's a fairly close knit community.

7 MS. MYFANWY BOWMAN: I'm going to ask you  
8 to look now at CAC/MSOS/INAC-18C.

9

10 (BRIEF PAUSE)

11

12 MR. DALE HILDEBRAND: Yes, go ahead.

13 MS. MYFANWY BOWMAN: And as I read that  
14 answer you suggest that after you factor in a 20 percent  
15 reduction in consumption, your proposed 100 percent rate  
16 increase would only effectively increase rates by 44  
17 percent, and you refer us to an attachment.

18 Am I understanding your answer correctly?

19 MR. DALE HILDEBRAND: Correct.

20 MS. MYFANWY BOWMAN: And I'm just looking  
21 for the answer that you're referring to, and I believe  
22 that's attached to -- to your responses to the Public  
23 Utilities Board Information Requests, am I right?

24 MR. DALE HILDEBRAND: Attachment 1.

25 MS. MYFANWY BOWMAN: And you're referring

1 us to page 36 of 36, which is actually the second page of  
2 a two (2) page table, am I right?

3 MR. DALE HILDEBRAND: Correct.

4 MS. MYFANWY BOWMAN: And if I read this  
5 table correctly, it is much the same as the one contained  
6 in -- in your report, am I right?

7 MR. DALE HILDEBRAND: Correct. It's the  
8 -- the same model we've used through all the different  
9 various iterations.

10 MS. MYFANWY BOWMAN: You've sort of  
11 expanded on it a little bit to give it a bit more detail?

12 MR. DALE HILDEBRAND: Yes.

13 MS. MYFANWY BOWMAN: And if I read this  
14 correctly, based on the 20 percent reduction in  
15 consumption and the 100 percent rate increase,  
16 residential rates go from six hundred and forty thousand,  
17 eight hundred and fifty-three dollars (\$640,853) to nine  
18 hundred and sixty-six thousand, six hundred and ninety-  
19 two dollars (\$966,692), am I right?

20 MR. DALE HILDEBRAND: Yeah. That's the  
21 44 percent increase.

22 MS. MYFANWY BOWMAN: That would be a  
23 difference of three hundred and twenty-five thousand,  
24 eight hundred and thirty-nine dollars (\$325,839), am I  
25 right?

1 MR. DALE HILDEBRAND: That's our estimate  
2 based on the --

3 MS. MYFANWY BOWMAN: I'm going to suggest  
4 to you that the 44 percent is actually showing the  
5 difference in the residential rates in the context of the  
6 total rate change, and is not reflecting the increase in  
7 residential rates?

8 I suggest to you that the actual rate  
9 increase, even after the 20 percent reduction  
10 consumption, is 51 percent. And I'll give a moment to  
11 look at that.

12

13 (BRIEF PAUSE)

14

15 MR. DALE HILDEBRAND: So I'll -- I'll  
16 take that subject to check. I -- I can go back and do  
17 some more analysis if we've misunderstood your question.

18

19 (BRIEF PAUSE)

20

21 MS. MYFANWY BOWMAN: If -- if we look at  
22 the numbers, the increase in rates is three hundred and  
23 twenty-five thousand, eight hundred and thirty-nine  
24 (325,839). If I divide that into the previous rate of  
25 six-forty, eight-fifty-three (640,853) that take us to 51

1 percent.

2 MR. DALE HILDEBRAND: Sure.

3 MS. MYFANWY BOWMAN: Thank you. I'm not  
4 attributing malice. I'm just saying it's probably a --  
5 simply a matter of transposing numbers.

6 MR. DALE HILDEBRAND: Well, I think it --  
7 it depends on -- on how your trying to communicate the  
8 numbers. I've simply looked at as the -- as the  
9 difference and said the difference is 44 percent. If  
10 you're looking at it as a rate increase above grid rates,  
11 then you're 50 -- num -- 1 percent number would be  
12 correct.

13 MS. MYFANWY BOWMAN: Thank you. I'm  
14 going to take you back to CAC/INAC-18D.

15

16 (BRIEF PAUSE)

17

18 MR. DALE HILDEBRAND: Yes, go ahead.

19 MS. MYFANWY BOWMAN: And you've attached  
20 to that a chart showing bill impacts of your proposed  
21 rate structure for various levels of consumption. Am I  
22 understanding that chart correctly?

23 MR. DALE HILDEBRAND: Yes.

24 MS. MYFANWY BOWMAN: And, as I read it,  
25 the top third of the chart reflects consumption of 1,000

1 kilowatt hours a month and with a hundred percent rate  
2 increase because all of the consumption is a grid rates,  
3 right?

4 MR. DALE HILDEBRAND: Yeah, I believe  
5 that last column would be the hundred percent rate  
6 increase.

7 MS. MYFANWY BOWMAN: If I take you down  
8 to the second third of -- of the chart, that is  
9 consumption at 2,000 kilowatt hours per month.

10 MR. DALE HILDEBRAND: Correct.

11 MS. MYFANWY BOWMAN: And you show a 4  
12 percent annual increase and a 22.4 percent total  
13 increase, am I right?

14 MR. DALE HILDEBRAND: In the last column,  
15 correct.

16 MS. MYFANWY BOWMAN: However, I'm going  
17 to ask you to look at the first column -- pardon me, even  
18 before you get into the column, which is sort of where  
19 the -- the consumption is listed. And you have actually  
20 placed 1,000 kilowatt hours at the tail rate and only 100  
21 instead of 1,100 kilowatt hours in the second block. Am  
22 I -- are we doing that correctly?

23 MR. DALE HILDEBRAND: That appears to be  
24 the case, yes.

25 MS. MYFANWY BOWMAN: So if you assign all



1 of the consumption to grid rates, 900 in the first block  
2 and 1,100 in the second block because we're talking about  
3 2,000 kilowatt hours of consumption, all of your -- this  
4 customer's consumption is then at grid rate, so once  
5 again we're looking at a hundred percent rate increase  
6 over that period of time, am I right?

7 MR. DALE HILDEBRAND: Yes.

8 MS. MYFANWY BOWMAN: And if we look at  
9 the last third of the page, again there's -- there's been  
10 an error in the allocation of the consumption, and we  
11 have 900 in the first block, 100 in the second block, and  
12 2,000 in the third block when in fact it should be 900,  
13 1,100, and 1,000, am I right?

14 MR. DALE HILDEBRAND: Correct.

15 MS. MYFANWY BOWMAN: And --

16 MR. DALE HILDEBRAND: I'm happy to  
17 undertake to re-file this. Apology for the error.

18 MS. MYFANWY BOWMAN: Thank you. And --  
19 and if my rough math is -- is right for -- for that third  
20 customer, we're probably looking at around a 66 percent  
21 rate increase. Does that sound approximately right since  
22 it's on two thirds of their consumption?

23 MR. DALE HILDEBRAND: Yeah, it sounds  
24 about right.

25 MS. MYFANWY BOWMAN: Thank you very much.

1 If I understand your evidence, the purpose for which you  
2 are recommending this rate increase is to encourage  
3 conservation, am I right?

4 MR. DALE HILDEBRAND: Yes.

5 MS. MYFANWY BOWMAN: And the assumptions  
6 included in your calculations involve -- include doubling  
7 the basic monthly charge. Am I also right?

8 MR. DALE HILDEBRAND: Yes.

9 MS. MYFANWY BOWMAN: You would agree with  
10 me that a customer cannot reduce that basic monthly  
11 charge no matter how much they might conserve, yes?

12 MR. DALE HILDEBRAND: Correct.

13 MS. MYFANWY BOWMAN: And if I understood  
14 your answer to CAC/INAC-18.A, you agree that doubling  
15 that monthly charge will not send a direct price signal  
16 to encourage reduced electricity consumption. Am I  
17 right?

18 MR. DALE HILDEBRAND: Well, it does send  
19 a price signal that your rates are going to double. I  
20 think that's the intent.

21 MS. MYFANWY BOWMAN: So it does send a  
22 signal. The issue is their ability to respond to that  
23 portion of the rate increase.

24 MR. DALE HILDEBRAND: Yeah, I mean, I  
25 think it's obvious that -- I don't think any consumer

1 really thinks about their rate structure, at least at the  
2 residential level, at least even at my own home I don't.  
3 But if somebody came to me and said, Your rates are going  
4 to double, then I might take notice. I mean, that was  
5 the intent. I did not feel it was -- is necessary to get  
6 into the details of the rate design and what rate block  
7 should increase and what shouldn't or -- I'm sure  
8 Manitoba Hydro can design rates more appropriately than -  
9 - than I can for that aspect.

10 MS. MYFANWY BOWMAN: Thank you. Would  
11 you agree with me that elasticity refers to how demand  
12 for a product or service responds to price signals?

13 MR. DALE HILDEBRAND: Yes.

14 MS. MYFANWY BOWMAN: Would you also agree  
15 with me that one (1) of the main determinants of price  
16 elasticity is the availability of good substitutes?

17

18 (BRIEF PAUSE)

19

20 MR. DALE HILDEBRAND: The availability of  
21 substitutes? Yes, I would agree that's definitely an  
22 aspect of elasticity.

23 MS. MYFANWY BOWMAN: And it would be fair  
24 to say if -- if there are many good or close substitutes  
25 an increase in price is likely to lead to a larger

1 decrease in -- or a large decrease in demand since  
2 customers can simply switch to one of the substitutes.

3 MR. DALE HILDEBRAND: I think in practice  
4 that holds to be true.

5 MS. MYFANWY BOWMAN: And the converse is  
6 that the fewer or less available the substitutes are, the  
7 more inelastic a demand tends to be.

8 Is that a fair statement?

9 MR. DALE HILDEBRAND: Yeah, I think  
10 that's a fair statement.

11 MS. MYFANWY BOWMAN: Would it also be  
12 fair to say that another determinant of price elasticity  
13 would be the value, or importance, of the good or service  
14 to the customer, whether or not they feel they could do  
15 without it.

16 MR. DALE HILDEBRAND: For a residential  
17 customer, yes, that's fair.

18 MS. MYFANWY BOWMAN: And I'm a lawyer,  
19 not an economist or engineer, so I'm going to ask you to  
20 bear with me here, but if I understand, perfect  
21 elasticity is defined as a 1 percent change in price  
22 would lead to a 1 percent or greater change in demand.

23 Am I correct?

24 MR. DALE HILDEBRAND: I'm not an  
25 economist either, but that sounds about right.

1 MS. MYFANWY BOWMAN: And demand is  
2 considered to be less elastic if a 1 percent change in  
3 price leads to less than a 1 percent change in demand.

4 Would that also be fair?

5 MR. DALE HILDEBRAND: Sure.

6 MS. MYFANWY BOWMAN: Would you agree that  
7 for many uses, there are not good substitutes for  
8 electricity?

9 MR. DALE HILDEBRAND: Yes.

10 MS. MYFANWY BOWMAN: Would you agree with  
11 me that, in terms of electricity use, industrial  
12 customers tend to be somewhat more elastic because,  
13 probably, they are better able to respond to changes in  
14 price?

15 They can change shifts, they can increase  
16 or decrease production, they can close down, those types  
17 of things.

18 MR. DALE HILDEBRAND: Yes.

19 MS. MYFANWY BOWMAN: Would you agree with  
20 me that residential customers are generally considered to  
21 be relatively price inelastic compared to other types of  
22 customers?

23 MR. DALE HILDEBRAND: Of the different  
24 classes of customers, they tend to be the least elastic,  
25 in my experience.

1 MS. MYFANWY BOWMAN: In fact, back in  
2 2003 before this very Board, it was your view that remote  
3 customers are generally price inelastic when it comes to  
4 power consumption for Basic residential services.

5 Is that correct?

6 MR. DALE HILDEBRAND: Yes.

7 MS. MYFANWY BOWMAN: At that time, it was  
8 also your view that electricity can be viewed by some  
9 customers as an essential element for modern living, with  
10 some customers exhibiting inelastic demand response.

11 Is that fair?

12 MR. DALE HILDEBRAND: Yes.

13 MS. MYFANWY BOWMAN: And at that time, it  
14 was also your view that proper rate design should take  
15 into consideration the expected response of customers  
16 from the price signals inherent in the rate structure.

17 Was that your view in 2003?

18 MR. DALE HILDEBRAND: It's still my view  
19 today.

20 MS. MYFANWY BOWMAN: Those are my  
21 questions. Thank you very much.

22 THE CHAIRPERSON: Thank you, Ms. Bowman.

23 MS. MYFANWY BOWMAN: Thank you, Mr.  
24 Hildebrand.

25 THE CHAIRPERSON: I suggest that we'll

1 probably take our lunch break now. When we come back Mr.  
2 Anderson.

3 Does that work with you?

4 Okay. We'll be back at one o'clock.

5 MR. MICHAEL ANDERSON: Yes, Mr. Chair.

6 THE CHAIRPERSON: Thank you.

7 MR. MICHAEL ANDERSON: Thank you.

8

9 --- Upon recessing at 11:48 a.m.

10 --- Upon resuming at 1:08 p.m.

11

12 THE CHAIRPERSON: Okay. Welcome back,  
13 everyone. Mr. Anderson is inadvertently delayed for a  
14 little while. We're not quite sure when he's going to  
15 arrive, so we're going to -- oh . . .

16 MR. MICHAEL ANDERSON: Thank you, Mr.  
17 Chair. Before I begin my questions, if I can make the  
18 comment that Ms. Bowman covered much of the ground that I  
19 had wanted to.

20 During the previous section -- segment of  
21 the proceeding, we had undertaken to bring and distribute  
22 information that describes the community demographics. I  
23 apologize for not having circulated that earlier, but I  
24 do have copies of it now to distribute to the Board and  
25 parties.

1                   These are actually from Statistics Canada,  
2 information compiled by Indian Northern Affairs Canada.  
3 I have a different set of these that were as -- was  
4 under print this morning, but regrettably it wasn't  
5 completed so I'll collect that, and bring it as well.

6                   They are for the Sayisi Dene First Nation,  
7 the Shamattawa First Nations, the Northlands First  
8 Nation, and the Barren Lands First Nation. And these are  
9 available from Indian Northern Affairs Canada's website.

10                  The other materials, which I'll discuss at  
11 another time, are -- is similar census information from  
12 2006 provided by the provincial government statistics  
13 branch, but those are the ones I don't have with me.

14                  Each of the documents that I -- that I  
15 have here provides first a description of geography,  
16 including distance and the various sub-zones, and without  
17 intending to provide evidence on that, if I just might  
18 for helpful purposes, these zones link to the testimony  
19 of Mr. Fred Mills in terms of the description of the  
20 operation of the OM mechanism.

21                  So when there's reference to the factors  
22 that are used to calculate, these are some of them. They  
23 don't explain the numbers, but they're the descriptions.

24                  I also have population statistics,  
25 language statistics, which describes, you know, the



1 percentage, for example, of aboriginal languages spoken  
2 at home, household and dwelling census statistics.

3 I might draw the Board's attention to the  
4 line in that table that describes multi-family homes, the  
5 income census statistics work force statistics,  
6 education, and mobility. There are others on the  
7 website, but we had selected those as a representative  
8 sample.

9 So Mr. Chair, if -- and excuse me, if I  
10 could have the -- a copy, please, of the one (1) for  
11 Sayisi Dene, I think there's a shortage of those. We  
12 might need -- those are the -- I -- I phoned Mr. Peters  
13 at about that point, when I realized our com -- our  
14 copiers weren't working. That's fine. Thank you.

15

16 (BRIEF PAUSE)

17

18 MR. MICHAEL ANDERSON: Mr. Chair, would  
19 you like to enter these as MKO exhibits, or --

20 THE CHAIRPERSON: Sure. Are you going to  
21 use them in your cross-examination?

22 MR. MICHAEL ANDERSON: I certainly am --  
23 intend to use them in final summation.

24 THE CHAIRPERSON: Okay. What -- what  
25 exhibit -- do we have an exhibit number? Okay. Okay.

1 So it's MKO number 7.

2 MR. MICHAEL ANDERSON: Do we want to ta -  
3 - have these grouped, or do you want to give a separate  
4 exhibit number to each one (1)?

5 Perhaps if we could do that because there  
6 is different information in each of them, and I can  
7 advise that I intend to --

8 THE CHAIRPERSON: Sure.

9 MR. MICHAEL ANDERSON: -- refer to them  
10 individually in summation.

11 THE CHAIRPERSON: Okay. We'll go  
12 Northland 7.

13

14 --- EXHIBIT MKO-7: Demographics for Northland  
15 First Nations

16

17 MR. MICHAEL ANDERSON: Thank you.

18 THE CHAIRPERSON: Shamattawa, 8.

19

20 --- EXHIBIT MKO-8: Demographics for Shamattawa  
21 First Nations

22

23 THE CHAIRPERSON: Barren Lands, 9.

24

25 --- EXHIBIT MKO-9: Demographics for Barren Lands

1 First Nations

2

3 THE CHAIRPERSON: Am I pronouncing,  
4 Sayisi, 10.

5 MR. MICHAEL ANDERSON: Sayisi Dene.

6

7 --- EXHIBIT MKO-10: Demographics for Sayisi Dene  
8 First Nations

9

10 MR. MICHAEL ANDERSON: And as a -- an  
11 anecdote that means people of the rising sun in  
12 Denesuline because they are the most eastern of all the  
13 Chipewyan or Denesuline groups, so hence the colourful  
14 name.

15 MR. ROBERT MAYER: They were a lot  
16 further east when they were in Churchill, or Dene Village  
17 as they called it then. Thank you.

18 MR. MICHAEL ANDERSON: Well, in  
19 comparison, Mr. Vice Chair, too, for example, Northlands  
20 who is also Denesuline and the Akaitcho people who are --  
21 in the Northwest Territories who are also Denesuline.  
22 They are the most eastern of all of them.

23 MS. PATTI RAMAGE: Mr. Chair, before we  
24 continue if I could just raise a concern that again I  
25 don't want to delay the process with, but maybe just put

1 the concern on the record. I'm not sure the purpose for  
2 which Mr. Anderson atten -- intends to use these, but  
3 this is information that INAC I believe has put on their  
4 website.

5 I'm -- and again I don't know what it's --  
6 what's intended to be used, but I'm not sure that the  
7 other parties, maybe perhaps Manitoba Hydro and CAC at  
8 least, would necessarily agree with this information.  
9 And I haven't had a chance to -- to cross-examine on any  
10 of it, and -- and Canada hasn't put it forth as their  
11 evidence.

12 So I would only put the caution that for  
13 whatever purpose it's intended to be used, we -- we need  
14 to at a minimum recognize that -- that other parties  
15 haven't been given an opportunity to -- to review this  
16 information or pose questions on it. And having said  
17 that, I'm not asking to do that at this point 'cause I  
18 don't know for what purpose it's -- it's going to be  
19 used.

20 THE CHAIRPERSON: Well, we'll see as we  
21 go and parties will have closing statements. If there's  
22 some problem with it and other than that it's basic  
23 background material.

24 MR. MICHAEL ANDERSON: That's correct,  
25 Mr. Chair. And again, I would note that I -- we had left

1 the -- at the boo -- bottoms and following of the pages  
2 it points out that it's special tabulations prepared for  
3 DIAND, from the Statistics Canada information from 1996  
4 and 2001.

5 So it's drawn directly from our national  
6 statistical agency and isn't interpellated in any other  
7 way that I'm aware of.

8 Similarly, the other tables that I suppose  
9 will have a similar discussion are produced by the  
10 Province of Manitoba using the 2006 statistical  
11 information. So the intention was to try to provide to  
12 the Board and parties the best -- a summary of the  
13 statistical information regarding all of these  
14 communities in a similar format. Thank you, Mr. Chair.

15

16 (BRIEF PAUSE)

17

18 DR. KATHI AVERY KINEW: Mr. Anderson, so  
19 you might want it on the record that Census Canada is  
20 also the basis of the provincial stats, and that they  
21 admit that there might be some problems with the stats  
22 and that the 2001 census was at least undercounting by  
23 eighteen thousand (18,000) people the Manitoba First  
24 Nations.

25

MR. MICHAEL ANDERSON: I very much

1 appreciate that --

2 DR. KATHI AVERY KINEW: Thank you.

3 MR. MICHAEL ANDERSON: -- clarification,  
4 Dr. Kinew, and when the provincial material based on the  
5 2006 census arrives, then it's available for self-  
6 comparison between the comparable values. But in any  
7 case, it provides the -- the best snapshot available to  
8 us of the demographics of each of the communities from a  
9 formally recognized entity and with the intent of not --  
10 subject to your qualification, information that would  
11 allow a -- certainly a generalized understanding of each  
12 of the communities.

13 THE CHAIRPERSON: And there's a  
14 disclaimer in each one of the exhibits.

15 MR. MICHAEL ANDERSON: I've intentionally  
16 tried to include those disclaimers, yes. Thank you, Mr.  
17 Chair.

18

19 (BRIEF PAUSE)

20

21 CROSS-EXAMINATION BY MR. MICHAEL ANDERSON:

22 MR. MICHAEL ANDERSON: Mr. Hildebrand,  
23 good afternoon. I have a -- a couple of questions, as I  
24 had indicated before. Ms. Bowman had covered most of the  
25 ground. What I was interested in was your -- your

1 recommendations to do energy management initiatives to  
2 achieve a 20 percent reduction in energy consumption in  
3 the communities.

4 And if you could please turn to page 14 of  
5 your pre-filed written testimony and the paragraphs --  
6 lines numbered 2 to 5. And, Mr. Hildebra -- Hildebrand,  
7 if I have the passage, it says:

8 "The potential savings are, in our  
9 view, significant enough to fund the  
10 Comprehensive Energy Management Program  
11 specifically targeted at electricity  
12 consumption in the remote communities  
13 that would cost Manitoba Hydro a  
14 hundred thousand dollars (\$100,000) per  
15 year in program costs, grants, loans,  
16 et cetera."

17 Do I have that passage correct, Mr.  
18 Hildebrand?

19 MR. DALE HILDEBRAND: Yes, sir.

20 MR. MICHAEL ANDERSON: Thank you. My  
21 interest is to determine, when you say "significant  
22 enough to fund," what would -- whi -- what would be the  
23 entity that would be funding those programs based on that  
24 -- that you're describing in that passage?

25 MR. DALE HILDEBRAND: What I was trying

1 to show, Mr. Anderson, was that if energy consumption  
2 could be reduced, electricity consumption could be  
3 reduced in the remote communities, that there would a  
4 corresponding significant reduction in the cost of fuel,  
5 and given Manitoba Hydro's proposed rate design, that  
6 reduction in fuel cost would reduce their subsidies by  
7 approximately eighty thousand dollars (\$80,000) a year,  
8 and that could be a source of funds or a cost reduction  
9 that Manitoba Hydro could use to justify enhanced energy  
10 management programs in the community.

11 MR. MICHAEL ANDERSON: So, if I  
12 understand your response cor -- correctly, Mr.  
13 Hildebrand, you're suggesting that Manitoba Hydro itself  
14 invest in these energy management measures, direct  
15 investment by the utility.

16 MR. DALE HILDEBRAND: My understanding,  
17 Mr. Anderson, is that Manitoba Hydro invests some \$66  
18 million a year in energy management programs in the  
19 province, and I would assume that this targeted programs  
20 in the remote communities would be -- be part of that  
21 overall program, yes.

22 MR. MICHAEL ANDERSON: Where I'm curious  
23 for your response, Mr. Hildebrand, is you were discussing  
24 the challenges of delivering energy management programs  
25 in remote communities.



1                   And hopefully without treading on the --  
2 the ground covered by Ms. Bowman, do you think that these  
3 programs should be primarily market-based; that is, re --  
4 reliant upon customer response, or ought they be -- to be  
5 utility-based where the utility directly takes charge and  
6 goes in and invests in these energy management measures  
7 to ensure that they're achieved, that the results that  
8 you describe in your evidence are actually achieved?

9                   MR. DALE HILDEBRAND:    I would suggest  
10 both; that by a comprehensive energy management program  
11 you would need all of those things to -- to make a  
12 significant difference in the energy consumption in the  
13 communities.

14                   You would need to do a dwelling-by-  
15 dwelling, facility-by-facility, building-by-building type  
16 audit and uncover every potential opportunity, which  
17 would require some investment in appliances, in lighting,  
18 in control systems, in insulation, all the way down the  
19 line, and tha -- that's what I mean by "comprehensive."

20                   On the other side of that you would need  
21 to do the -- the education and the -- the programming so  
22 that all the community residents and businesses  
23 understand the -- the need for energy management and the  
24 benefits it can have to the community.

25                   MR. MICHAEL ANDERSON:    And, again, so I

1 understand, when you make references to you would have  
2 to, do in each of those cases you refer to Manitoba  
3 Hydro? Who is the you in your response, Mr. Hildebrand?

4 MR. DALE HILDEBRAND: Well, I -- I think  
5 when you -- you look at the person or the entity that  
6 should take the responsibility it is probably the entity  
7 that has the highest probability of being success -- of  
8 there being success. And -- and very clearly Manitoba  
9 Hydro is the one with the expertise, so they should most  
10 definitely be the leaders in this.

11 And, in my view, the -- the expectation of  
12 at least myself in -- in the 2004 proceedings, and from  
13 my read of the PUB's decisions is that Mani -- the  
14 expectation was that Manitoba Hydro would take the lead.  
15 But there does need to be some coordination on behalf of  
16 the customers as well. And it's back to my, It takes two  
17 to tango, and for there to be success you need to have  
18 commun -- community engagement.

19 MR. MICHAEL ANDERSON: And in this --  
20 this model that you're describing, the coordination of  
21 customers at the community level would be conducted by  
22 whom?

23 MR. DALE HILDEBRAND: Well, I think the -  
24 - the programs need to be managed and implemented by  
25 Manitoba Hydro, but the little bit that I understand

1 about how these communities work and function practically  
2 is -- is -- there would need to be coordination with the  
3 First Nations and the bands in each of these communities.

4 MR. MICHAEL ANDERSON: And would the cost  
5 of such coordination be a reasonable cost associated with  
6 the energy management initiatives you're describing? The  
7 -- the costs of the First Nation to coordinate with  
8 Manitoba Hydro to ensure delivery maximum results of the  
9 program be a reasonable cost to include as part of the  
10 cost -- cost of the measure?

11 MR. DALE HILDEBRAND: I think it depends  
12 on the -- the nature of those costs, Mr. Anderson. I  
13 mean, typically when -- in an energy management programs  
14 the customers incur some costs in the implementation.  
15 And for -- for example, utilities typically don't pay  
16 their customers, you know, to come to a meeting or to  
17 come to an education session or to -- for their cost to  
18 participate in an energy audit.

19 MR. MICHAEL ANDERSON: Similarly, Mr.  
20 Hildebrand, if we -- again, on page 14 in your answers to  
21 question 18, you discuss the -- the use of electric space  
22 heating as a concern. And as the second sentence --  
23 third sentence, excuse me, of your answer, which is set  
24 out at lines 11 through 13 it reads -- your evidence  
25 reads:

1                   "Factors leading to the use of electric  
2                   space heaters, for example, inadequate  
3                   insulation and dirty furnace filters  
4                   leading to inadequate air flow could be  
5                   addressed correctly."

6                   Do I have that part of your evidence  
7                   correctly, Mr. Hildebrand?

8                   MR. DALE HILDEBRAND:    Yes.

9                   MR. MICHAEL ANDERSON:    And in your  
10                  propose -- in your -- this discussion, whom would be  
11                  taking steps to ensure there is adequate insulation and  
12                  that furnace filters are routinely replaced, particularly  
13                  where it's targeted at reducing electric space heating?

14                  MR. DALE HILDEBRAND:    Well, I think we're  
15                  kinda getting down into a bunch -- a bunch of detail that  
16                  I had not contemplated when I -- I wrote this  
17                  recommendation.  Specifically, you mean, who should do  
18                  what and who should pay for what; I mean, that's kinda  
19                  program design.  I think at the higher level it's obvious  
20                  to me that these energy management programs should take  
21                  place.

22                  It's -- I would recommend that energy --  
23                  that -- I'm sorry, that man -- Manitoba Hydro has the  
24                  expertise to put these programs in place and to target  
25                  them -- or, I would hope that they have that expertise,

1 and that there would need to be some coordination and  
2 discussion and negotiation on -- on how they're actually  
3 implemented.

4 Does it make sense for a Manitoba Hydro  
5 employee, for example, a serviceman in the community  
6 that's out reading meters to be going around and checking  
7 furnace filters; probably not. Is there a role for  
8 Manitoba Hydro to help educate the band or individual  
9 residents on the -- on the consequences of dirty furnace  
10 filters and how that affects electricity consumption and  
11 affects costs of goods and services in their community;  
12 yes.

13  
14 (BRIEF PAUSE)

15  
16 MR. MICHAEL ANDERSON: On a similar  
17 approach, for those homes that -- for those customers,  
18 those residential customers that are consuming more than  
19 2,000 kilowatt hours per month, and therefore paying the  
20 -- the tail block in their rate, what steps, especially  
21 if there's concern that those customers may be using spa  
22 -- base bo -- electric space heat, who ought to  
23 coordinate determining the cause of that consumption over  
24 two thousand (2,000), and to determine with definity  
25 whether or not it is the result of the use of electric

1 space heat?

2 MR. DALE HILDEBRAND: Well, I think  
3 that's a very good question. When -- maybe as an analogy  
4 if -- if a government, or an agency, puts laws in place,  
5 if you don't enforce them they don't have much effect.

6 And I understand, and submit there would  
7 be some significant difficulties for Manitoba Hydro to  
8 try and enforce their tariff requirements, and their --  
9 what I coined as, you know, prohibition on the use of  
10 electric space heat, but if it is a tariff provision then  
11 either you have to enforce it, or try and enforce it, or  
12 it becomes rather meaningless.

13 So I don't have an answer for you. I  
14 don't know who should be the person to enforce that, or  
15 how it should be enforced, but it would appear to me that  
16 a -- a coordinated effort between Manitoba Hydro and the  
17 -- the First Nation bands would make sense, and it should  
18 be in everyone's best interest to reduce the amount of  
19 diesel fuel that's burned in these communities.

20 MR. MICHAEL ANDERSON: On the accounts in  
21 excess -- residential accounts that are being billed in  
22 excess of 2,000 kilowatt hours a month, is it your view  
23 that energy management approaches -- demand side  
24 management ought to be able to contain consumption within  
25 2,000 kilowatt hour, first step in virtually all cases,

1 if fully applied?

2 MR. DALE HILDEBRAND: I would like to  
3 know the answer to that question, but I -- I don't. And  
4 I may be speaking out of turn, and I apologize in  
5 advance, Mr. Anderson, but we did have an opportunity to  
6 review individual electricity bills some five (5) or six  
7 (6) years ago when we worked together.

8 And it appeared to me then that some of  
9 those consumptions over 2,000 kilowatt hours per month  
10 was the result of different length billing periods, and -  
11 - and some other what I would call, you know, issues with  
12 how those bills were being -- being billed.

13 We did ask for a similar set of  
14 information in this proceeding, and Manitoba Hydro  
15 declined to provide it to us.

16 I suspect in these remote communities  
17 there may be units that are duplexes, or triplexes, or  
18 that -- that may have multiple families in them, multiple  
19 dwelling units that are all under one (1) metre. Those  
20 could very easily be using more than 2,000 kilowatt hours  
21 per month, and not using space heating.

22 But as a general rule, I would say that  
23 you would have to have a -- a fairly unique situation for  
24 what I understand are -- are relatively modest dwellings  
25 to be using that level of consumption without doing some

1 resistive heating.

2 MR. MICHAEL ANDERSON: Would one (1) of  
3 the unique situations potentially be more than one (1)  
4 family resident in a home that might cause the  
5 consumption to rise over 2,000 kilowatt hours?

6 MR. DALE HILDEBRAND: It might, if you  
7 have a large number of people that are using  
8 refrigerators, and washing machines, and -- and cooking  
9 appliances, but that would be a fairly high consumption  
10 level, in -- in my view, for again what I understand are  
11 fairly modest homes.

12 I don't think there's any large homes,  
13 like we see in southern Canada that can easily use that  
14 level of consumption with several thousand square feet.

15 MR. MICHAEL ANDERSON: Mr. Hildebrand, in  
16 the information that you reviewed in the preparation of  
17 your evidence, did you review any information that would  
18 provide what amounts to a consumption profile for typical  
19 residential general service customers?

20 MR. DALE HILDEBRAND: I -- I sought that  
21 information, but it was not provided specifically to the  
22 remote communities.

23 MR. MICHAEL ANDERSON: Would having an  
24 understanding of such information assist in targeting and  
25 directing energy management programs to ensure maximum



1 results?

2 MR. DALE HILDEBRAND: Absolutely.

3 MR. MICHAEL ANDERSON: Mr. Hildebrand, if  
4 we go back to one (1) of the objectives of the settlement  
5 agreement, and I'll refer to the references made in Order  
6 159/04 because those are on the -- on the record. But in  
7 -- this is just a general question.

8 Is it your understanding that an objective  
9 of the minutes of settlement and the settlement agreement  
10 was to remove capital related costs from the costs of  
11 service that were being collected in customer bills --  
12 that were being set in cust -- recovered through customer  
13 rates and paid through customer bills?

14 MR. DALE HILDEBRAND: My  
15 understanding/recollection, Mr. Anderson, that was one  
16 (1) of the fundamental tenets of that -- those agreements  
17 and those negotiations was to remove the capital from the  
18 tariff -- capital-related costs from the tariff.

19 MR. MICHAEL ANDERSON: And, Mr.  
20 Hildebrand, do you recall just in -- in a broad brush,  
21 the percentage of the cost of service that was  
22 represented by capital cost at the time the initial Order  
23 came down?

24 Wou -- subject to check would you accept  
25 that it was approximately one half of the cost of

1 service?

2 MR. DALE HILDEBRAND: Yes.

3 MR. MICHAEL ANDERSON: Thank you. And  
4 therefore the provisions that we discussed regarding  
5 consultation prior to additional capital expenditures  
6 being made has the similar object to ensure that capital  
7 costs are agreed to and pre-funded prior to the  
8 expenditures being made? Is that your understanding?

9 MR. DALE HILDEBRAND: My understanding --  
10 sorry -- maybe I'll just try and put it in my own words.  
11 There was two (2) pieces there, in my view. One (1) was  
12 remove the capital costs from tariff and try and get the  
13 tariff down to a -- a price level that was more  
14 sustainable and manageable by the First Nations.

15 And the second important component was  
16 having a opportunity to review and approve, or ensure  
17 funding was approved, for those capital projects. The  
18 concern was is that Manitoba Hydro was essepential --  
19 essentially expending capital dollars without any costs  
20 responsibility and that they were spending money that  
21 then somebody else was going to pay for, and it -- it  
22 sort of lacked that fundamental regulatory oversight.

23 And by having the First Nations consulted  
24 with that that would provide some review of those capital  
25 costs to make sure that they were prudently incurred.

1                   MR. MICHAEL ANDERSON:   And then you had -  
2   - I appreciate your division of the concepts in my  
3   original question, but would there not then be a third  
4   that subsequent or as an outcome of the review to ensure  
5   that costs were prudently incurred, was to ensure that  
6   funding was made available based on that concurrence and  
7   then provide -- provide it to Manitoba Hydro prior to the  
8   expenditure being made with -- again with the objective  
9   of ensuring capital costs are not incorporated into the  
10  cost of service?

11                   MR. DALE HILDEBRAND:   Yeah.  I -- I mean,  
12  it's -- it's a fine line distinction, but whether the  
13  First Nations approve the costs or whether they confirm  
14  that funding is available, to me those are -- are the  
15  same thing.

16                   MR. MICHAEL ANDERSON:   Thank you.  And in  
17  terms of the significance of preserving the intention to  
18  remove -- to keep capital costs out of the cost of  
19  service, is there not a perverse disincentive to conserve  
20  that results from capital costs being divided against  
21  fewer kilowatt hours when you begin to reduce the  
22  consumption in a system; that is, is that the average  
23  cost actually increases as you conserve energy due to the  
24  embedded capital cost?

25                   MR. DALE HILDEBRAND:   Yes, I tried to

1 highlight that in -- in my evidence. In a -- in a normal  
2 situation where you have capital costs in the tariff or  
3 on tariff that is the result, is that when you reduce  
4 consumption that the average rate goes up and sometimes  
5 quite significantly.

6 In this case the rate will still go up  
7 because there are fixed variable costs that don't go  
8 away. The only cost that really goes away, at least in  
9 the short-term, are fuel costs, but, as Manitoba Hydro  
10 has pointed out, some of the fixed variable costs will go  
11 away in the longer term. But I would -- I would just add  
12 that that should not be -- or in my mind, that's not any  
13 kind of a reason why you should not do it.

14 MR. MICHAEL ANDERSON: Tha -- thank you,  
15 Mr. Hildebrand. Well, my next question goes to why you  
16 should manage consumption, and that is is another  
17 objective of an energy management program to ensure  
18 capital costs are minimized on a go-forward basis, so you  
19 have a generating system and supply system that more  
20 directly matches load as well as the opportunity for  
21 reduced loans in the future?

22 MR. DALE HILDEBRAND: Absolutely. The  
23 term "demand side management" was -- was really coined  
24 for that very reason. It was -- it was managing the rate  
25 of electricity usage and to minimize capital

1 expenditures.

2 MR. MICHAEL ANDERSON: So, in other  
3 words, and I thank you for your answer, the object is to  
4 have installed -- capital equipment installed that care -  
5 - closely matches loads so customers can benefit from the  
6 reduction in variable costs that result from energy  
7 management services -- energy management programs being  
8 successful.

9 MR. DALE HILDEBRAND: Yeah. And as you  
10 point out, in the longer term the benefits of not  
11 expending new capital.

12

13 (BRIEF PAUSE)

14

15 MR. MICHAEL ANDERSON: In your -- some of  
16 your early comments this morning you mentioned Manitoba  
17 Hydro's comments in respect of opportunities in a high  
18 cost to serve community.

19 Was it your recollection that the --  
20 Manitoba Hydro's evidence was that there may be no  
21 particular opportunities available in a service area  
22 simply because it's a high cost to serve area? Do you  
23 recall that as being their comment, evidence?

24 MR. DALE HILDEBRAND: I -- I don't. My  
25 recollection of their evidence was that the -- viewed

1 from a more holistic perspective, that energy management  
2 opportunities didn't make sense because if you reduced  
3 the -- increased the efficiency of lighting and  
4 appliances in the homes, then it would just mean that  
5 you'd have a higher requirement for space heating. And  
6 if you took that into account, then the -- the economics  
7 of doing these energy management initiatives would not  
8 justify them.

9 MR. MICHAEL ANDERSON: Is it your view  
10 that the -- the benefit and priority to engage in energy  
11 management programs increases as the cost to serve  
12 increases?

13 MR. DALE HILDEBRAND: Sir, maybe I'm  
14 having trouble, Mis -- Mr. Anderson, with your -- with  
15 your term "cost to serve." In general, yeah, the higher  
16 the -- the price that a consumer pays for a commodity,  
17 the -- the greater the incentive that consumer should  
18 have to -- to implement conservation measures.

19 MR. MICHAEL ANDERSON: And -- and where  
20 we have an electricity supply system that is covering its  
21 own costs, such as our -- the diesel system in Manitoba,  
22 when you have a very high cost to serve does it also  
23 create an incentive and -- and in fact, a priority for  
24 the utility to reduce costs through energy management  
25 measures?

1 MR. DALE HILDEBRAND: I would hope so.

2 MR. MICHAEL ANDERSON: And -- and does  
3 that incentive and sense of priority also increase as the  
4 cost of service increases?

5 MR. DALE HILDEBRAND: Yes.

6 MR. MICHAEL ANDERSON: So if Manitoba  
7 Hydro is proposing or providing evidence that the cost to  
8 serve the diesel communities are increasing, what should  
9 follow along with that is the incentive and priority to  
10 implement energy management programs?

11 MR. DALE HILDEBRAND: Yes.

12 MR. MICHAEL ANDERSON: Thank you. In  
13 preparing your evidence, Mr. Hildebrand, did you examine  
14 the demographics of the customers in the community in  
15 respect of the number of low income customers, the  
16 average income of residential customers, the size of the  
17 dem -- general service customers in terms of business  
18 size and so forth?

19 MR. DALE HILDEBRAND: I -- I did not. We  
20 did look at that back in 2004, I believe we shared some  
21 statistics, you shared some statistics with us, but I'm  
22 not surprised by what I've just read on the materials  
23 that you've handed out.

24 MR. MICHAEL ANDERSON: But specifically  
25 in terms of preparing this at -- the evidence that you

1 filed in this proceeding, did you review any of the  
2 demographic information in respect of the number of low  
3 income customers, average income of residential  
4 customers, and the scale of businesses of general service  
5 customers?

6 MR. DALE HILDEBRAND: No, I did not. I  
7 assumed that it had not materially changed since we  
8 looked at it in 2004, or perhaps even prior to that, Mr.  
9 Anderson.

10 MR. MICHAEL ANDERSON: In making your --  
11 I just want to turn briefly to your -- the much discussed  
12 recommendation to double the -- the grid portion of the  
13 rate over a four (4) year period.

14 When making that recommendation did you  
15 take into account the ability to pay of the customer?

16 MR. DALE HILDEBRAND: Absolutely.

17 MR. MICHAEL ANDERSON: And is it your  
18 assessment that the residential and general service  
19 customers can bear the cost of a 100 percent increase in  
20 the grid portion of the rate over four (4) years?

21 MR. DALE HILDEBRAND: Yes, the -- the  
22 assessment was for those customers who receive support  
23 from the First Nations, either partial or full, my  
24 understanding from Mr. Mills' evidence was that funding  
25 from the federal government would flow in proportion to



1 the First Nation, and that the First Nation bands would  
2 then assist those customers who would be paying higher  
3 electricity bills.

4                   For those customers who do not receive  
5 partial or full support from the band, the quantum of the  
6 increase from doubling the grid rates did not seem to be  
7 overly onerous considering the cost to provide them with  
8 service. Other similar essential services in these  
9 communities are not subsidized to the same way  
10 electricity is in -- from my understanding.

11                   MR. MICHAEL ANDERSON: So then to some  
12 extent your -- your recommendation relies on an -- an  
13 economic insulation in respect of those that are low  
14 income customers, or receive the benefit of contributions  
15 from INAC in support of their electricity bills?

16                   MR. DALE HILDEBRAND: Yes. Maybe just to  
17 try to be helpful, we understand that doubling the grid  
18 rates will shift costs within these communities and  
19 that's a consequence of the more important objective is  
20 removing those costs out of the communities and the costs  
21 are removed by burning less fuel.

22                   MR. MICHAEL ANDERSON: I -- I just have  
23 two (2) questions that flow from that. The next one (1)  
24 in that -- that my chain would have been: Did you do an  
25 assessment, or satisfy yourself, as to the affordability

1 of goods sold in the stores in these communities with a -  
2 - passing on the effect of 100 percent increase in the  
3 grid portion of the general service rate over four (4)  
4 years?

5 MR. DALE HILDEBRAND: Did not.

6 MR. MICHAEL ANDERSON: And did -- similar  
7 to our previous discussion, did -- have you satisfied  
8 yourself that the reductions in variable cost as a result  
9 of consumer response to your proposal will actually  
10 achieve actual benefits in the average cost compared to  
11 the capital that's invested in providing service?

12 That is, that we're not in -- in this  
13 perverse disincentive where consuming -- reducing  
14 variable cost -- consuming less energy actually increases  
15 the average cost of power.

16 MR. DALE HILDEBRAND: No, I don't -- I  
17 don't believe that's a disincentive, or not -- a reason  
18 why you should not engage in doing any energy management  
19 programs. I think if we take that to the extreme, you  
20 know, if today you buy ten (10) jugs of milk at five  
21 dollars (\$5), and you're able to reduce your consumption  
22 and buy one (1) jug at twenty dollars (\$20), you're still  
23 better off.

24 When your total -- total amount of -- that  
25 you're paying for the milk you need, and your -- and the

1 community would be better off by consuming less  
2 electricity.

3 MR. MICHAEL ANDERSON: And so is the  
4 answer then, yes, that by reducing consumption benefits -  
5 - cost benefits will be obtained, even taking into  
6 account the effect that it has on the average cost of  
7 power when dividing kilowatt hours consumed against the  
8 capital cost?

9 MR. DALE HILDEBRAND: I -- I think -- I  
10 think the answer to your question is, yes, Michael -- Mr.  
11 Anderson, sorry, by having done that analysis, but in --  
12 but, intuitively, what I believe to be the case is that  
13 by reducing the amount of cost that people are spending  
14 for electricity in these communities, the communities  
15 will be left -- will be better off.

16 MR. MICHAEL ANDERSON: And so to repeat  
17 an earlier asked and answered, it's very important to  
18 install only those capital resources, particularly  
19 generation, that are required to serve the electrical  
20 loads in the communities?

21 MR. DALE HILDEBRAND: Absolutely.

22 MR. MICHAEL ANDERSON: And then on my --  
23 my final question on that recommendation; Is your  
24 recommendation to increase the grid portion of the rate  
25 for residential and general service customers over four

1 (4) years en -- endorsed by your client, Indian Northern  
2 Affairs Canada as a recommendation?

3 MS. GLYNIS HART: I believe Mr. Mills has  
4 spoken to that.

5 MR. MICHAEL ANDERSON: And just so that  
6 it was -- it's in the record where I'm asking the  
7 question, Ms. Hart, is it possible to have either  
8 yourself, or Mr. Mills, restate the position of the  
9 Department in respect of his evidence on that point?

10 MS. GLYNIS HART: Mr. Mills will be  
11 available for cross-examination after Mr. Hildebrand  
12 finishes. I suggest that you could put the question to  
13 him --

14 MR. MICHAEL ANDERSON: I've already  
15 finished my cross-examination of Mr. Mills.

16 MR. ROBERT MAYER: I, for one, heard Mr.  
17 Hildebrand say that his recommendation was unpopular. I  
18 -- I'm not sure whether he meant unpopular with you, me,  
19 or his client.

20 MR. MICHAEL ANDERSON: There's been  
21 considerable discussion, and to some extent it's just to  
22 confirm whether it's interesting exposition presented by  
23 an expert witness, or whether it resents -- represents  
24 the position of the Intervenor.

25 And I was just curious to have that, given

1 so much discussion took place today, put on the record.

2 THE CHAIRPERSON: Mr. Anderson, in the  
3 normal way we conduct ourselves, and the cooperative way,  
4 as you know, Mr. Peters isn't finished with Mr. Mills  
5 yet, so I'm sure he could put your question to him.

6 MR. MICHAEL ANDERSON: I'm happy to  
7 proceed in that manner, Mr. Chair, thank you.

8 MR. DALE HILDEBRAND: Maybe just to try  
9 and be helpful, Mr. Anderson, the recommendation is -- is  
10 mine, and mine alone, and my client did not tell me what  
11 to put in my report, and they didn't tell me what to take  
12 out of my report.

13 MR. MICHAEL ANDERSON: Thank you for  
14 that, Mr. Hildebrand.

15 MR. BOB PETERS: Mr. Chairman, in an  
16 effort to get out of work later, I wanted to bring to Mr.  
17 Anderson's attention page 639 of the transcript, and Ms.  
18 Bowman asked, I think, a very comparable question to Mr.  
19 Mills, and his answer is contained on lines 15 to 20 on  
20 page 639 of the transcript. So if Mr. Anderson wants me  
21 to ask a further question I'd be pleased to hear from him  
22 at that time.

23 MR. MICHAEL ANDERSON: Thank you for the  
24 reference, Mr. Peters. I had taken note of that. I just  
25 make the distinction between that reference being placed

1 on the record by Mr. Mills and my question at the moment  
2 was to Mr. Hildebrand. So I thank you for that.

3 If Mr. Hildebrand, has he has endorsed or  
4 accepted Mr. Mills' comment previously, then I'm -- I'm  
5 satisfied with that. Mr. Hildebrand's clarification  
6 answered my question, I believe, Mr. Peters. Thank you.  
7 Mr. Chair, those are all my questions of Mr. Hildebrand.  
8 Thank you.

9 THE CHAIRPERSON: Thank you, Mr.  
10 Anderson. Mr. Anderson, the -- just one (1) thing on  
11 this -- these exhibits 7 through 10 that you put on the  
12 record, just a question. I was wondering whether or not  
13 Stats Canada, from where it appears this material was  
14 taken, provides information on cost of living comparing  
15 the index level of expenses for these communities with  
16 the average for Manitoba. I notice all this data is  
17 referred to the overall Manitoba numbers.

18 MR. MICHAEL ANDERSON: They're -- my  
19 understanding, Mr. Chair, is there exactly the type of  
20 information that you're describing and I will pull it up  
21 and print it and bring it in if that would be of  
22 assistance.

23 THE CHAIRPERSON: Thank you. Ms.  
24 Ramage...?

25 MS. PATTI RAMAGE: Yes. Thank you. Good

1 afternoon, Mr. Hildebrand. And perhaps if I could fore -  
2 - sort of fair warning, the -- the first portion of my  
3 cross deals with to some degree the tentative settlement  
4 agreement, however as I indicated earlier it's Manitoba  
5 Hydro's view that this shouldn't be on a -- this should  
6 be in a -- a public hearing forum and we don't support  
7 having an in-camera session.

8                   So I would just perha -- and -- and my  
9 questions are focussed more on what's not there than  
10 what's there, so it's my hope that we can do this without  
11 having to resort to the in-camera session, but I would  
12 leave it to counsel for INAC or MKO to -- to voice a  
13 concern in -- in this early part of the -- my questions  
14 if -- if they feel it has to go over. But it's -- as I  
15 said, it's Manitoba Hydro's view that it doesn't.

16                   THE CHAIRPERSON: Fair enough. If Ms.  
17 Hart or -- or Mr. Anderson spot something that you're  
18 saying that they'd prefer to have on the other transcript  
19 we'll -- we'll take it up from there.

20

21 CROSS-EXAMINATION BY MS. PATTI RAMAGE:

22                   MS. PATTI RAMAGE: Mr. Hildebrand, I'd  
23 like to begin by looking at your recommendation to  
24 exclude depreciation and interest on capital from the  
25 revenue requirement.

1                   And first so we're all working from a  
2 common understanding, the capital that has been included  
3 in rates is the Brochet soil remediation, the Shamattawa  
4 engine failures, the Shamattawa powerhouse modifications,  
5 plus the ten (10) capital projects with a value of less  
6 than a hundred thousand (100,000), and I believe that  
7 totals approximately four hundred and twenty-one thousand  
8 (421,000), is that correct? Well, those are the capital  
9 projects that in your evidence you recommended be  
10 excluded.

11                   MR. DALE HILDEBRAND: I believe the  
12 capital cost is much higher than that. The -- you're  
13 referring to the interest and depreciation on those  
14 capital costs being someone like five hundred and twenty  
15 thousand dollars (\$520,000), my recollection, so I assume  
16 your four hundred and some thousand is the 79 percent of  
17 that?

18                   MS. PATTI RAMAGE: Yeah. I -- I -- I  
19 accept that correction --

20                   MR. DALE HILDEBRAND: Thank you.

21                   MS. PATTI RAMAGE: -- but those are the  
22 projects we're talking about.

23

24

(BRIEF PAUSE)

25



1 MS. PATTI RAMAGE: Oh. Yeah. I'm sorry.  
2 I'm going to run through this again, and I'll be more  
3 specific. The Brochet soil remediation was 3.4 million,  
4 is that correct?

5 MR. DALE HILDEBRAND: Yes. I'm looking  
6 at schedule 8 of attachment 1 to your application. 3.426  
7 million.

8 MR. PATTI RAMAGE: And the Shamattawa  
9 engine failure is of .6 million, is that correct?

10 MR. DALE HILDEBRAND: Correct.

11 MS. PATTI RAMAGE: And the Sha --  
12 Shamattawa powerhouse modifications of .36 million?

13 MR. DALE HILDEBRAND: Yes.

14 MS. PATTI RAMAGE: And then ten (10)  
15 capital projects each with a value of less than one  
16 hundred thousand (100,000) but which together total four  
17 hundred and twenty-one thousand (421,000), is that  
18 correct?

19 MR. DALE HILDEBRAND: I'll take that,  
20 subject to check.

21 MS. PATTI RAMAGE: And just based on the  
22 evidence I've heard previously today, to confirm, your --  
23 your concern with these projects or your objection to  
24 having them including -- included in revenue requirement  
25 is not that they were not necessary, but rather that

1 there was no consultation, is that correct?

2 MR. DALE HILDEBRAND: Well, I suspect --  
3 I think it's both. So the consultation process should  
4 have determined whether they were necessary and whether  
5 funding should have been in place. But since it appears  
6 from the record that the consultation had not taken  
7 place, that perhaps some of them should not be in the  
8 revenue requirement.

9 If the consultations take place and  
10 funding was secured, then they should be funded outside  
11 the tariff and not on the tariff, and -- and that's our  
12 recommendation.

13 MS. PATTI RAMAGE: Is there anything in  
14 your evidence specifically which suggests that any one  
15 (1) of those projects was improperly incurred beyond what  
16 I'll call the question mark that you're putting up with  
17 respect to consultation? Do you have evidence that  
18 anything was improperly undertaken?

19 MR. DALE HILDEBRAND: We did not file any  
20 evidence to suggest that any of those costs are not  
21 presently incurred.

22 MS. PATTI RAMAGE: Okay, thank you. And  
23 just to be clear, the costs that you discussed with Ms.  
24 Bowman related to fall arrest and fire suppression do not  
25 appear in this rate application, so we're not -- those

1 are not costs that we're looking to have included in this  
2 current revenue requirement, correct?

3 MR. DALE HILDEBRAND: Correct. My  
4 understanding is that Manitoba Hydro intends to collect  
5 those in a future tariff.

6 MS. PATTI RAMAGE: Now, would you be  
7 prepared to agree that there's nothing in the tentative  
8 settlement agreement which oblige -- obliges a diesel  
9 First Nation to make a contribution on account of a  
10 capital expenditure?

11

12 (BRIEF PAUSE)

13

14 MR. DALE HILDEBRAND: No, I don't believe  
15 there's a requirement that they must make the capital  
16 expenditure.

17 MS. PATTI RAMAGE: And, similarly,  
18 there's nothing in the tena -- tentative settlement  
19 agreement which would oblige INAC to make a contribution  
20 on account of a capital expenditure.

21 MR. DALE HILDEBRAND: Correct.

22 MS. PATTI RAMAGE: So that even where  
23 Manitoba Hydro meets, for example, every conceivable  
24 request of either the -- a diesel First Nation or INAC to  
25 help them understand the need for a particular capital

1 expenditure the tentative se -- settlement agreement does  
2 not serve to oblige the diesel First Nations or INAC to  
3 make that contribution, is that correct?

4 MR. DALE HILDEBRAND: That is correct.  
5 And my understanding of the agreement says that Manitoba  
6 Hydro will not expend the capital if they are not assured  
7 that funding is in place.

8 MS. PATTI RAMAGE: Can you direct me to  
9 the point in the tena -- tentative settlement agreement  
10 that says that, sir?

11

12 (BRIEF PAUSE)

13

14 MS. GLYNIS HART: We might consider  
15 whether we have to go off record at this point in time  
16 then, Ms. Ramage.

17 MS. PATTI RAMAGE: Why don't we see what  
18 Mr. Hildebrand's answer is, and then we'll...

19 MS. GLYNIS HART: But then it is on the  
20 record.

21 MR. DALE HILDEBRAND: I believe it's  
22 clause 5.3.

23

24 (BRIEF PAUSE)

25

1 MS. GLYNIS HART: Ms. Ramage, would you  
2 repeat the question, please?

3

4 (BRIEF PAUSE)

5

6 CONTINUED BY MS. PATTI RAMAGE:

7 MS. PATTI RAMAGE: I -- I asked Mr.  
8 Hildebrand to point me to the -- I -- I -- it wasn't my  
9 question. I asked him to point to the section of the  
10 tentative settlement agreement which indicates that  
11 Manitoba Hydro will not make a capital expenditure until  
12 funding is in place.

13

14 (BRIEF PAUSE)

15

16 MS. MARY ANN THOMPSON: I -- I'm just  
17 wondering, Ms. Ramage, if you -- and I'm absolutely  
18 confident that you're not trying to misdescribe anything,  
19 but perhaps you wanted to re -- redescribe the provision  
20 that you're looking for because you indicated that you  
21 were looking for a provision that indicated that Hydro  
22 will not do the work, but if --

23

24 CONTINUED BY MS. PATTI RAMAGE:

25 MS. PATTI RAMAGE: I think the problem is

1 Mr. Hildebrand indicated that there was a provision that  
2 said that, so it makes it somewhat awkward.

3 Let me try it another way. Would you  
4 agree that the agreement says Manitoba Hydro is not  
5 obliged, or required, to make a capital expenditure until  
6 funding is in place?

7

8 (BRIEF PAUSE)

9

10 MR. DALE HILDEBRAND: Well, perhaps this  
11 will be helpful, Ms. Ramage. It is clause 5.3 that I was  
12 referring to when we -- when I drafted my evidence, and  
13 although I have agreed with you that Manitoba Hydro is  
14 not obliged to -- to make a capital expenditure, the flip  
15 side of that is that their -- Manitoba Hydro can expend  
16 capital of their own volition.

17 And then the question is: Is it recovered  
18 from customers either through capital contribution, or  
19 through rates.

20 MR. ROBERT MAYER: Five point three (5.3)  
21 would seem to make the default position if nobody puts up  
22 any cash, the default position is it goes to rates, at  
23 least my reading of the last line, and assuming some of  
24 that deleted stuff isn't deleted.

25 MR. DALE HILDEBRAND: Yeah. I -- I

1 wouldn't go that far, sir. I -- and maybe that's the  
2 disjoint we're having. And -- and perhaps it goes back  
3 to -- to my view of why this tentative settlement  
4 agreement was in place, and in my view that was intended,  
5 in large part, to make sure that capital was expended was  
6 -- was prudently incurred.

7

8 CONTINUED BY MS. PATTI RAMAGE:

9 MS. PATTI RAMAGE: Would you agree the  
10 agreement contemplates a situation where -- where the  
11 mutual understanding is not met, yet Manitoba Hydro  
12 determines it is prudent to move forward with a capital  
13 expenditure?

14 MR. DALE HILDEBRAND: Yeah, I don't see  
15 that clause.

16 MS. PATTI RAMAGE: Can I direct you to  
17 Article 5.4.

18 MS. MARY ANN THOMPSON: While I  
19 appreciate that Hydro doesn't want to accept the idea of  
20 an in-camera discussion on this, it would seem to be that  
21 if we were to have an unfettered discussion in-camera,  
22 then perhaps we would all be in a better position to go  
23 back on the record to deal with the points that you want  
24 to deal with.

25

1 CONTINUED BY MS. PATTI RAMAGE:

2 MS. PATTI RAMAGE: Maybe I'll just ask  
3 one (1) simple question. See if we can do that. Does  
4 the tenta -- is it true that the tentative settlement  
5 agreement does not address what happens if consultation  
6 efforts do not result in the diesel First Nations  
7 reaching a mutual understanding with Manitoba Hydro of  
8 the need for an expenditure?

9 MR. DALE HILDEBRAND: I'm convinced this  
10 thing turns itself off all by itself, so my apologies,  
11 madam reporter.

12 Yes, I do not -- I do not believe there's  
13 a clause that -- that -- I'm sorry, let me start again.  
14 I do not believe the situation where consultation takes  
15 place, and agreement is not reached in the -- in the  
16 terms of funding has been in place what happens if the  
17 capital expenditure is still made.

18 My reasoning would simply be that if the  
19 expenditure was made other for those reasons that are  
20 contemplated in clause 5.4, that Manitoba Hydro has then  
21 spent the capital of their own volition, and it would not  
22 be automatic that they should be recovered through the  
23 tariff.

24 And -- and let me just try it again, and  
25 maybe this will be helpful, Ms. Ramage. The -- the



1 number one (1) thing I saw in 2004 that caused me the  
2 most concern is I saw Manitoba Hydro spending capital  
3 dollars without what I will call cost oversight. They  
4 were spending money, and then coming back at that time to  
5 INAC and saying, You need to pay for it. And I don't see  
6 -- in the real world, that doesn't work for me.

7                   If you're going to spend money and you  
8 expect somebody to pay for it, you have to have their  
9 approval before you spend it.

10                   MS. PATTI RAMAGE: I'm going to ask one  
11 (1) last question on this. Do you see the word  
12 "approval" anywhere in Article 5?

13                   MR. DALE HILDEBRAND: I do not.

14                   MR. MICHAEL ANDERSON: I was just  
15 curious, Ms. Ramage, are we continuing along a discussion  
16 of the settlement agreement? I was -- been sort of with  
17 my finger on the button through that whole process. I --  
18 I wanted --

19                   MS. PATTI RAMAGE: I -- I'm moving on  
20 now.

21                   MR. MICHAEL ANDERSON: Okay. I just had  
22 wanted to make the comment that -- put on the record that  
23 MKO's concerned that although Mr. Hildebrand served as  
24 MKO's expert during a considerable portion of our work on  
25 this, and so he is -- he is quite familiar with the --

1 the ins and outs of the agreement and it's rationale, at  
2 least from MKO's perspective, that we are engaging in a  
3 discussion that amounted to an interpretation of the  
4 agreement.

5                   And -- and I, for one, being the  
6 designated party to the process, did not -- was  
7 uncomfortable with the characterization and the questions  
8 and the responses because I see the agre -- personally  
9 see the agreement differently. And we're not able in  
10 this forum to have that dialogue in the circumstances.

11                   MR. ROBERT MAYER: Let's not go there.

12                   MR. MICHAEL ANDERSON: So --

13                   MR. ROBERT MAYER: Let's not go there.

14                   MR. MICHAEL ANDERSON: -- I'm not going  
15 to pro -- I'm not -- I will not pronounce what my view of  
16 it is, having said that, except to express my discomfort  
17 that you're asking the parties to interpret the agreement  
18 in an open forum on an agreement not yet signed, still  
19 technically covered by a confidentiality arrangement.

20                   I realize we're hopefully in the last days  
21 for me making this comment, but in -- it remains that we  
22 are within still the confines of our undertakings. Ms.  
23 Ramage has indicated that she waives her interest in it,  
24 but MKO still wishes to retain its interest and the  
25 confidence of the process until we get it all signed up.

1

2 CONTINUED BY MS. PATTI RAMAGE:

3 MS. PATTI RAMAGE: Okay. Well, the good  
4 news is we're moving on. If we could turn to page 5 of  
5 your evidence. Your recommendation is to exclude five  
6 hundred and eighty thousand five hundred and seven  
7 dollars (\$587,507) from annual revenue requirement, is  
8 that correct?

9

10 (BRIEF PAUSE)

11

12 MR. DALE HILDEBRAND: Yes.

13 MS. PATTI RAMAGE: And that exclusion  
14 would have the effect of reducing the government rate by  
15 eighteen (18) cents per kilowatt hour, and that's the two  
16 dollars and twenty cents (\$2.21) to two dollars and three  
17 cents (\$2.03), is that correct?

18 MR. DALE HILDEBRAND: Yes, I believe so.

19 MS. PATTI RAMAGE: Okay. And I'd like to  
20 walk through the effect of that recommendation. If -- if  
21 you could turn to page 8 of your evidence, and we'll --  
22 I'd just like to look at the chart you've produced at  
23 page 8.

24 MR. DALE HILDEBRAND: The table on 914?

25 MS. PATTI RAMAGE: That's correct. The

1 result of your recommendation:

2 "The revenue requirement to be  
3 collected from residential customers  
4 won't change."

5 And there I'm looking at the third column,  
6 first row, "Residential and revenue requirement, zero."  
7 Is that correct?

8 MR. DALE HILDEBRAND: Correct.

9 MS. PATTI RAMAGE: And then looking a  
10 line down, the general service revenue that will be  
11 collected from cu -- general service customers will not  
12 change under your recommendation, is that correct?

13 MR. DALE HILDEBRAND: Yes, the assumption  
14 made was that the -- the rate and the rate design would  
15 not change as a result of this recommendation; only that  
16 the revenue requirement would be reduced.

17 MS. PATTI RAMAGE: Okay. But the revenue  
18 requirement to be collected from your client together  
19 with the First Nation education accounts that your client  
20 funds, that revenue requirement is going to decrease by  
21 seventy-nine thousand nine hundred and twenty-three  
22 dollars (\$79,923) on the full cost portion of the rate.  
23 That's the third column, last line. Is that correct?

24 MR. DALE HILDEBRAND: Sorry, not the last  
25 line, but the revenue from rates excluding surcharges was

1 intended to be reduced by the seventy-nine thousand  
2 dollars (\$79,000). Essentially, there would be a lower  
3 government rate that would collect seventy-nine thousand  
4 dollars (\$79,000) less revenue.

5 MS. PATTI RAMAGE: And then if we -- if  
6 we look down the page to the next row grouping there'll  
7 be another two hundred and fifty-eight thousand four  
8 hundred and ninety-eight dollars (\$258,498) reduced from  
9 the surcharge portion of the -- of the rate. Is that  
10 correct?

11 MR. DALE HILDEBRAND: Yes.

12 MS. PATTI RAMAGE: So the total revenue  
13 requirement saving to the federal government, if we  
14 include the First Nation education accounts, is three  
15 hundred and thirty eight thousand four hundred and  
16 twenty-one dollars (\$338,421).

17 Is that correct?

18 MR. DALE HILDEBRAND: I'll take that  
19 subject to check.

20 MS. PATTI RAMAGE: Now, setting aside  
21 for the moment the Manitoba Hydro subsidies you have --  
22 you have noted here, no other customer in the diesel zone  
23 will benefit from this recommendation. Is that correct?  
24 Will see their revenue requirement changed as a result of  
25 this recommendation.

1 MR. DALE HILDEBRAND: Sorry, I'm having  
2 trouble with the word, "the revenue requirement will --  
3 will not change."

4 I think -- if I could restate, the -- the  
5 rates will not change if you make that assumption.

6 MS. PATTI RAMAGE: Okay. Now, you have  
7 that Manitoba Hydro subsidies will be reuse -- reduced by  
8 two hundred and eighty-four thousand seven hundred and  
9 twenty-two dollars (\$284,722).

10 Is -- I -- do I have the correct amount  
11 there?

12 MR. DALE HILDEBRAND: Yes.

13 MS. PATTI RAMAGE: And again, just to go  
14 backwards for a second, that's because interest and  
15 depreciation is being removed altogether from the diesel  
16 revenue requirement, correct?

17 MR. DALE HILDEBRAND: Correct. So to the  
18 me -- by -- the best of my ability, I took what I  
19 understood to be your rate design, modelled it in my  
20 spreadsheet, tested it through various means to try and  
21 make sure that it was correct, and through the IR process  
22 we asked some questions. If you do this, what happens if  
23 you do that, what happens. I modelled those. My models  
24 matched your models, and then I went through and said,  
25 Okay, if I reduce the revenue requirement, don't change

1 the rate design, don't change the rates, this is the  
2 result.

3 MS. PATTI RAMAGE: But that two hundred  
4 and eighty-four thousand and -- and seven hundred and  
5 twenty-two dollars (\$284,722), that -- ultimately it's a  
6 real cost, it has to be paid by somebody.

7 So if I heard your evidence this morning,  
8 it either comes out of the Corporation's net income, or  
9 the grid ratepayers pay it in rates.

10 MR. DALE HILDEBRAND: Sorry. No, and let  
11 me please clarify. When I made this recommendation that  
12 interest and depreciation should not be included in the  
13 revenue requirement, I wasn't suggesting that those costs  
14 not be recovered.

15 The depreciation component should be paid  
16 in the form of a capital compon -- component, so I'm  
17 saying there -- if these are legitimate capital costs,  
18 they've been prudently incurred, the parties agreed to  
19 them, the parties should pay for them.

20 So that will take care of the depreciation  
21 component. Once the capital is paid, the depreciation no  
22 longer needs to be paid. There's a time value of money  
23 component, I'll recon -- I'll give you that, and there's  
24 also an interest component.

25 How the interest should be paid, I think,

1 is debate -- is -- is a question for debate. If -- one  
2 (1) end of the spectrum would be to say the delays in  
3 consultation are all to the account of the First Nations,  
4 and then the First Nations should pay those.

5 If you, at the other end of the spectrum  
6 said the delays are the account of Manitoba Hydro not  
7 doing consultation, or delaying the consultation process,  
8 then perhaps they have some cost responsibility for the  
9 interest component.

10 MS. PATTI RAMAGE: Okay. Thank you for  
11 the clarification. If I could turn now just to briefly  
12 discuss the revenue shortfall, I was wondering if you  
13 could please turn to page 21 of Manitoba Hydro's rebuttal  
14 evidence.

15 MR. DALE HILDEBRAND: Yes.

16

17 (BRIEF PAUSE)

18

19 MR. DALE HILDEBRAND: Please go ahead.

20 MS. PATTI RAMAGE: Okay. Thank you.  
21 Page 21 of the rebuttal evidence, schedule 3, sets out  
22 the allocation of capital funding responsibility for the  
23 2004 settlement agreement, and it ultimately allocates  
24 what's approximately 75 percent, those two (2) numbers,  
25 sixty-nine point eight (69.8) plus six point two (6.2),



1 is seventy-six (76).

2 But 75 percent was allocated, or was used  
3 for the purpose of allocating the revenue shortfall, and  
4 that's the number that you believe should be used, is  
5 that correct?

6 MR. DALE HILDEBRAND: Correct.

7 MS. PATTI RAMAGE: Now if we could turn  
8 the page, we'll see that those same -- the -- the same  
9 basis, that being average annual kilowatt hour usage, is  
10 used to calculate the -- the percentage of use employed  
11 by Manitoba Hydro in this application.

12 Can you explain to me the distinction  
13 between these two (2) and why one (1) should apply -- the  
14 2004 figure should apply for costs incurred currently, as  
15 opposed to the more current information that's available?  
16 It -- it's based on the same principles.

17 MR. DALE HILDEBRAND: Well, if we can  
18 just stick with -- with schedule 3.

19 MS. PATTI RAMAGE: Mr. Wiens just  
20 clarified something that may help a little bit. The  
21 second schedule is -- is government users. But I -- but  
22 the question still applies, and that's: Why would we  
23 change the -- if 75 percent is fine in 2004, why wouldn't  
24 the more updated and current data be used presently?

25 MR. DALE HILDEBRAND: So, Ms. Ramage, I

1 believe there's an Information Response, and perhaps I  
2 can get you to turn to it, it's -- I believe, INAC  
3 question to Manitoba Hydro number 25, and maybe that  
4 would be helpful.

5

6 (BRIEF PAUSE)

7

8 MR. DALE HILDEBRAND: Okay. Thank you.  
9 So what we were -- we were asking, or what I was trying  
10 to get at with this Information Request is: Have these  
11 percentages and these values that are shown on schedule 3  
12 of your rebuttal evidence from 2001 to 2004, have those  
13 materially changed? Has the percentage of cost  
14 responsibility for the Federal government increased from  
15 the 76 percent in the average of 2001 to 2004 numbers to  
16 those numbers today?

17 And in response to INAC/Manitoba Hydro-I-  
18 25, you were kind enough to provide us with some data  
19 that shows what the usage was in each of the communities  
20 over various years -- sorry, and on page 205 of that  
21 response you've shown that the six (6) year average for  
22 what you classify as INAC, First Nation account, and  
23 other federal governments, totals something like 77.8  
24 percent.

25 So what I understand is that for those

1 accounts for which the First Nations and the federal  
2 government are responsible for are -- was 77 percent of  
3 the energy in 2001 to 2004, and in the last six (6) year  
4 average has gone up by one (1) or two (2) percent. But  
5 when I look at your tariff design you're proposing to  
6 collect some 83 percent of the revenue shortfall from  
7 federal government accounts and edu -- First Nations  
8 educations accounts and that's what I see as the  
9 disjoint.

10 I will agree with you that if you just  
11 look at the government accounts the percentage of the  
12 energy that the Federal government and First Nations  
13 education accounts comprises, that percentage has gone  
14 up.

15

16 (BRIEF PAUSE)

17

18 MR. DALE HILDEBRAND: So maybe I can try  
19 and be helpful. I recogni -- I think I understand your  
20 point, that the tariff that was in place in 2006 that has  
21 been -- 2004 or the tariff that's been approved on an  
22 interim basis does use this allocation method of saying,  
23 We have this revenue shortfall and we're going to collect  
24 it from the government accounts, and maybe 76 percent, 83  
25 percent was close enough.

1 I'm just trying to point out that I don't  
2 think it's close enough because these costs are getting  
3 so high that let's be a little bit more precise.

4 MS. PATTI RAMAGE: Well, regardless of  
5 the distribution of energy among all users, would you  
6 agree that the revenue shortfall is caused by the  
7 residential and general service accounts?

8 MR. DALE HILDEBRAND: In their entirety,  
9 yes. I -- I believe the energy shortfall is caused by  
10 all customers.

11 MS. PATTI RAMAGE: So would you agree  
12 that one (1) possible way of allocating that shortfall  
13 would be to determine the share of the -- that  
14 residential and general service account responsibility  
15 and take that up and determine -- determine where the  
16 responsibility lies that way?

17 MR. DALE HILDEBRAND: I -- I think  
18 there's a number of different methods or ways that the  
19 revenue shortfall could be determined, and there's, I --  
20 I think, in essence, three (3) that maybe come to mind.  
21 There's the method that Manitoba Hydro's proposed, is  
22 basically whatever the share is for energy from the  
23 government accounts, just use that, and that's what  
24 you've proposed.

25 You could actually go and say, well, you

1 know, take this schedule 3 and update it for your  
2 forecast for -- that matches your tariff and say, well,  
3 it's not 76 percent; it's now 77 1/2 percent. That would  
4 be a reasonable approach.

5                   What I've recommended is the parties  
6 agreed to some numbers, and that forms the basis of the  
7 settlement agreement and those are the numbers you should  
8 use, and that's what I've recommended.

9                   MS. PATTI RAMAGE:    Okay, I'm going to  
10 move on from this one. And I want to talk for a second  
11 about your recommendation regarding the net export  
12 revenue allocation. And -- and I'm not going to -- I --  
13 I can alert everyone we're not going into the agreement  
14 except for to say that the basis of your recommendation  
15 is simply because the -- the agreement requires Manitoba  
16 Hydro pro -- propose in its cost of service study that  
17 customers in the diesel communities receive an allocation  
18 of net export revenues on a similar basis to grid  
19 customers, is that right, and that's -- that's why you  
20 want to look at that allocation?

21                   MR. DALE HILDEBRAND:    So my understanding  
22 is that there is that provision in the tentative  
23 settlement agreement. The -- the concern I have is,  
24 again, going back, and -- and I'll try not to repeat too  
25 much from -- from my direct this morning, was when I was

1 involved back in 2004, the glimmering light of hope on  
2 the horizon for this tariff was that some day net export  
3 revenue allocation may be large enough that we can get  
4 away from these, what I would call, spiralling costs and  
5 ever increasing rates and try and reduce cost to the --  
6 to the communities and -- and reduce the reliance on  
7 federal government funding.

8                   And when I look at where we are today  
9 after five (5) years and -- and the forecast, that  
10 glimmering hope that I saw in 2004 is now a very faint  
11 lightbulb, and -- and that's really why I brought it  
12 forth.

13                   MS. PATTI RAMAGE:   Were -- were you aware  
14 that following the minutes of settlement in 2004 there  
15 was a comprehensive review of the cost of service study  
16 in 2006?

17                   MR. DALE HILDEBRAND:   Yes.  I believe I  
18 was part of that proceeding.

19                   MS. PATTI RAMAGE:   And have you reviewed  
20 Order 117 of '06 to determine -- with a specific view to  
21 determine its impact on diesel rates?

22                   MR. DALE HILDEBRAND:   I believe I have.

23                   MS. PATTI RAMAGE:   Would you be then  
24 prepared to accept that -- that a -- a significant cause  
25 of the what -- what you see as a different expectation

1 since 2004 is a result of the implementation of  
2 directives regarding the treatment of export revenues in  
3 that Order?

4 MR. DALE HILDEBRAND: My recollection,  
5 Ms. Ramage, was that the application of the cost of  
6 service study to the net export -- to allocate net export  
7 revenues to the diesel community was something that the -  
8 - this Board didn't approve and it left -- left it open.

9 MS. PATTI RAMAGE: Yes. But if -- if we  
10 treat the diesel communities the same as other -- for  
11 example, a -- a residential diesel and a residential grid  
12 customer -- so we'll talk about the residential grid  
13 customer for a moment -- that the result of that Order  
14 was to create an export class which took on generation  
15 and transmission costs which ultimately had the -- the  
16 effect of reducing the -- the net exports to that  
17 customer class, is that correct?

18 MR. DALE HILDEBRAND: I'll take that  
19 subject to check.

20

21 (BRIEF PAUSE)

22

23 MS. PATTI RAMAGE: Mr. Hildebrand, in  
24 response to Manitoba Hydro's Information Request to you,  
25 it's 1E, you indicate that customer education and a well

1 defined and targeted energy management program can have a  
2 significant impact on the implementation of energy  
3 management initiatives regardless of cost responsibility  
4 for electricity bills. Have I described your response  
5 reasonably correctly to that?

6 MR. DALE HILDEBRAND: Yes.

7 MS. PATTI RAMAGE: Now, is your  
8 understanding of Manitoba Hydro's DSM efforts in the  
9 diesel communities -- is it based on the materials filed  
10 on the record and your review of the 2009 Power Smart  
11 Program?

12 MR. DALE HILDEBRAND: Yes.

13 MS. PATTI RAMAGE: So you're aware that  
14 Manitoba Hydro's provided communities with pipe wrap as  
15 an energy efficient measure?

16 MR. DALE HILDEBRAND: Not specifically,  
17 but I'm not surprised. And by pipe wrap I assume you  
18 mean insulation for the hot water pipes inside the home?

19 MS. PATTI RAMAGE: Yes. You're also  
20 aware that faucet aerators low flo -- flow showerheads,  
21 gasket covers, as well as caulking has been provided?  
22 Did you find that in the materials?

23 MR. DALE HILDEBRAND: Yeah. That would  
24 sound like typical DS -- or energy management type  
25 things. Yes.



1 MS. PATTI RAMAGE: And you're aware  
2 Manitoba Hydro has offered training to the community and  
3 -- and has offered community workshops?

4 MR. DALE HILDEBRAND: I am.

5 MS. PATTI RAMAGE: Do you have any  
6 specific suggestions of targeted energy management  
7 programs beyond those we just quickly covered that are  
8 going to get us to that 20 percent lower energy  
9 consumption you identify in -- in your evidence?

10 And here I'm looking for specifics, not  
11 sort of a generic try harder. Is there -- is there  
12 specifics 'cause Manitoba Hydro's interested in hearing  
13 them.

14 MR. DALE HILDEBRAND: Sure. I think  
15 doing the targeted audits of individual residents that I  
16 understand ten (10) were done last year and another ten  
17 (10) were -- were proposed for last winter, if I remember  
18 your evidence correctly. That's the right track.

19 You need to go into individual residents,  
20 you need to talk to them, you need to show them where  
21 their energy is not being used as efficiently as it can  
22 be. You need to look at each appliance and each  
23 lightbulb and each appl -- small electrical appliance.

24 And as you're doing that home audit I'm  
25 sure that you'll find potentially if electric space



1 have seen those kind of savings levels in -- in other  
2 opportunities, and the one I was citing was -- was the  
3 Jasper initiative. The -- the savings were material.  
4 And -- and I guess, Ms. Ramage, all I'll say is that if  
5 you don't have a goal you'll never reach it.

6

7

(BRIEF PAUSE)

8

9 MS. PATTI RAMAGE: I'm going to leave  
10 that one for now. Mr. Wiens is whispering in my ear, but  
11 I'm not going to use that. He's waxing philosophical,  
12 yeah. If I could just go back to one (1) point on this.  
13 And you indicated during your direct that the reluctance  
14 you perceive on the part of Manitoba Hydro to implement  
15 targeted energy management is partially based on cost  
16 responsibility issues.

17

18

19

I think you said that -- that you feel  
Manitoba Hydro believes it should be the responsibility  
of First Nations and the federal government.

20

21

Can you point me to evidence on the record  
that you rely on to report -- to support that statement?

22

23

24

MR. DALE HILDEBRAND: I can't point you  
directly but I'm happy to take it as an undertaking. I  
believe I read that and I'd be happy to provide that.

25

1 --- UNDERTAKING NO. 25: To provide evidence why  
2 Manitoba Hydro believes costs  
3 should be the responsibility  
4 of First Nations and the  
5 Federal Government  
6

7 CONTINUED BY MS. PATTI RAMAGE:

8 MS. PATTI RAMAGE: And in that regard, if  
9 you could point me -- where I'm really looking for is --  
10 is the targeted energy management programs that are  
11 economic. Manitoba Hydro, I -- I accept in its rebuttal  
12 evidence at page 20 -- 23 deals with what we would term  
13 the uneconomic DSM, but the economic DSM is -- is where  
14 I'm looking for.

15 MR. DALE HILDEBRAND: So let me just try  
16 and be helpful, and I -- I'd like to break this down  
17 maybe into two (2) time periods, so the time period from  
18 2004 until what I'll call, say, 2008 or '09. Extreme  
19 disappointment on my half on what the level of energy  
20 management programs have under -- were undertaken.

21 It appeared to me that Manitoba Hydro was  
22 of the view that all of our energy management programs  
23 that we have available for grid customers are also  
24 available for remote customers, and that's good enough.  
25 And, in my view, that wasn't good enough and it should

1 not have been good enough.

2 MS. PATTI RAMAGE: If I could just stop  
3 you there. Where do you get the "that's good enough"  
4 from? That's what I'd like to see.

5 MR. DALE HILDEBRAND: That's my  
6 perspective. Very clearly, in 2004, when I was involved  
7 in the process, when I at the end of the process read the  
8 Board's directives to Manitoba Hydro, my expectation was  
9 that more would be done than simply taking the materials  
10 and the programs that are available in southern Manitoba  
11 and saying they're also available in the remote  
12 communities.

13 My expectation was is more would be done;  
14 a lot more than that would be done. What I saw in what  
15 I'll call the second time period, of late 2008/2009 and  
16 presumably into this year, around doing the announcement  
17 of an energy management program and consultation with the  
18 First Nations, that I referenced in my evidence when I  
19 saw a trial period of -- of auditing ten (10) homes, that  
20 is the kind of direct energy management programs I would  
21 have anticipated would have been done as early as 2005.  
22 Okay.

23 The second point I'd like to make is the  
24 definition of economic, and I think this is really the  
25 crux of the matter. If you're simply saying, We are

1 going to reduce energy consumption by 'X' number of  
2 kilowatt hours, and the -- that -- value of that  
3 electricity is so many cents per kilowatt hour under the  
4 rate, you're going to have a hard time justifying it.

5           But the costs are much greater than that,  
6 and even if you say the value of that kilowatt hour saved  
7 is the full cost rate at fifty-nine (59) cents, I still  
8 think you're missing some costs, and as I spoke with Mr.  
9 Anderson, you should be thinking about the incremental  
10 capital costs that will come if you don't implement those  
11 energy management programs.

12           So the full term, long term cost of an --  
13 a kilowatt, or the -- sorry, the long term value of a  
14 kilowatt of energy saved in the remote communities, I  
15 would argue, is greater than sixty (60) cents a kilowatt  
16 hour, and if you use that number as your economic  
17 criteria, I would suggest that there may be some  
18 significant energy management opportunities in the remote  
19 communities.

20

21   (BRIEF PAUSE)

22

23           MS. PATTI RAMAGE:   Okay.  I'm going to  
24 move onto my, I think, hopefully my last topic, and it's  
25 the -- your very popular recommendation regarding rate

1 design. And here I'd like to turn to page 25 of your  
2 evidence.

3

4

(BRIEF PAUSE)

5

6

7

8

9

MS. PATTI RAMAGE: And if I could just  
run through your -- the chart that you have up on the top  
of page 25 to make sure that we fully understand the  
impacts of that recommendation.

10

11

12

13

14

Is it cor -- true if we -- if we adopt  
your recommendation, and double the grid rates, the  
revenue required from residential customers will increase  
by four (4) -- five hundred and forty-three thousand  
seven hundred and two dollars (\$543,702).

15

16

17

18

19

Is that correct?

MR. DALE HILDEBRAND: Yes.

MS. PATTI RAMAGE: And general service  
customers revenue will increase by ninety-three thousand  
nine hundred and thirty-three dollars (\$93,933).

20

21

22

23

24

25

MR. DALE HILDEBRAND: Correct.

MS. PATTI RAMAGE: And the revenue  
required from the full cost portion of the rate, and  
that's -- I'm looking at the federal government and First  
Nation education account revenue, will -- that will not  
change. That's zero in that column.

1 MR. DALE HILDEBRAND: Right. Those  
2 accounts are not on grid rates.

3 MS. PATTI RAMAGE: Now looking down that  
4 -- that third column, am I correct that the Federal  
5 government and First Nation education account surcharge  
6 rate revenue required will be reduced by five hundred and  
7 thirty-one thousand one hundred and eighty-nine dollars  
8 (\$531,189)?

9 MR. DALE HILDEBRAND: Again, according to  
10 my model the -- the subsidy would be reduced by that  
11 amount.

12 MS. PATTI RAMAGE: So residential  
13 customers will pay approximately five hundred and forty-  
14 four thousand (544,000) more, and the federal government  
15 about five hundred and thirty-one thousand (531,000)  
16 less, is that correct?

17 MR. DALE HILDEBRAND: It is if you are  
18 limiting your discussion to the tariff. My understanding  
19 is that a good portion of that five hundred and thirty-  
20 one thousand dollar (\$531,000) reduction would flow back  
21 to the communities through the funding formulas that Mr.  
22 Mills has described in his evidence.

23 MS. PATTI RAMAGE: Now also --

24 MR. ROBERT MAYER: And can I -- can I --  
25 I need to understand this. And those funding formulas



1 mean you're putting the trappers, and the fishers, on  
2 welfare, right?

3 MR. DALE HILDEBRAND: I don't understand,  
4 sir.

5 MR. ROBERT MAYER: What -- the funding  
6 formulas I thought -- I see that when we're going to be  
7 paying for this -- these increased rates, and there's  
8 government funding that will flow back in order to allow  
9 people to do this, those are assistance funding, right?

10 MR. DALE HILDEBRAND: My understanding is  
11 that's funding from INAC to the First Nations.

12 MR. ROBERT MAYER: I thought I read -- it  
13 had some interesting words like, "assistance," attached  
14 to it, and that -- that we were talking about moving  
15 money from one line into another, but the way I look at  
16 it, and I -- I guess I will ask this of Mr. Mills, but  
17 the way I looked at it, what we were doing by -- if your  
18 recommendation was accepted, the people who presently now  
19 don't require assistance -- and I -- I pick as the --  
20 what I believe to be the two (2) occupations where  
21 somebody can actually become independent in some of these  
22 communities, and that's fishing and trapping, that you're  
23 going to put them all on welfare. Is that what you saw  
24 happening?

25 MR. DALE HILDEBRAND: No.

1                   MR. ROBERT MAYER:    Maybe I should leave  
2   that to Mr. Mills.

3                   MR. DALE HILDEBRAND:    No, my  
4   understanding is that there are other folks in these  
5   communities who provide services and whether they work  
6   for the provincial government, or the federal government,  
7   or they're school teachers, or they work in commercial  
8   establishments, these are all folks who pay their power  
9   bill and I would not suggest that those are the -- they  
10  would be going on welfare as a consequence of -- of  
11  paying a little bit more for their electricity bill.  
12  Okay.

13                  MR. ROBERT MAYER:    Okay. I'm sorry. I -  
14  - I think I said we'll deal with that with Mr. Mills.

15  
16  CONTINUED BY MS. PATTI RAMAGE:

17                  MS. PATTI RAMAGE:    Just to be clear, when  
18  you say a little bit more that would be 100 percent more,  
19  is that correct?

20                  MR. DALE HILDEBRAND:    A hundred percent  
21  more of what is, you know, the lowest cost of electricity  
22  service in North America, probably still less than I pay  
23  in Calgary.

24                  MS. PATTI RAMAGE:    Okay. I'm just  
25  looking through my questions. I see Mr. Mayer has

1 already asked you about Jasper, so I'll move through  
2 those.

3 And am I correct this morning you said you  
4 hadn't been to any of the diesel communities in Manitoba,  
5 is that correct?

6 MR. DALE HILDEBRAND: I have been to very  
7 similar communities in Northern Alberta and in Northwest  
8 Territories, many of them.

9 MS. PATTI RAMAGE: Okay. Can you  
10 identify any significant improvement in living conditions  
11 that you're aware of in the last ten (10) years in those  
12 communities?

13

14 (BRIEF PAUSE)

15

16 MR. DALE HILDEBRAND: I have not --

17 MS. PATTI RAMAGE: Have socio-economic  
18 conditions changed in those communities that you're aware  
19 of in the last decade? How's that if I phrase it that  
20 way?

21 MR. DALE HILDEBRAND: I -- I'm just  
22 hesitating, Ms. Ramage, on -- on the ten (10) years, but  
23 maybe if I can answer it more generally. My  
24 understanding is that there have been some attempts to  
25 improve the conditions in those communities; new water

1 systems. You know, we -- we heard in 2004 in this room  
2 that the band was installing diesel-fired heaters in some  
3 of the homes to reduce the reliance on -- on wood and  
4 electricity for heating.

5 So I would say that, yes, there have been  
6 some improvements, but I'm in no way suggesting that  
7 there's not room to improve the quality of life for these  
8 people.

9 MS. PATTI RAMAGE: There hasn't been any  
10 studies done on -- on those points though --

11 MR. DALE HILDEBRAND: Not that I'm aware  
12 of.

13 MS. PATTI RAMAGE: If you could turn to  
14 Manitoba Hydro -- Hydro/INAC-1D and 'E', please, sir.  
15 And Ms. Fernandes is going to hand out a document just  
16 while we review one -- 1D and 'E' that I'll be following  
17 up my questions with. I better get to INAC-1D and 'E'  
18 myself.

19

20 (BRIEF PAUSE)

21

22 MS. PATTI RAMAGE: In this -- in this  
23 information request, Manitoba Hydro posed the question:

24 "Provide any evidence in the possession  
25 of Desiderata or INAC which supports

1 the view that usage by residential  
2 First Nation customers is price  
3 sensitive."

4 And in response you indicated -- and if  
5 you bear with me I'm going to read this into the record:

6 "Desiderata understands that some  
7 residential First Nation customers have  
8 full or partial cost responsibility for  
9 their electricity bill. Desiderata  
10 would anticipate that these customers  
11 would be as price sens -- resp -- price  
12 responsive as any other Manitoba Hydro  
13 customer in a similar situation.  
14 Desiderata has no evidence to suggest  
15 that residential First Nation customers  
16 that are not responsible for paying the  
17 electricity bill will be any more of  
18 less price sensitive than other  
19 Manitoba Hydro electricity consumer  
20 that is not responsible for paying the  
21 electricity bill. We note that some  
22 consumers make energy conservation  
23 decisions without a direct price  
24 consequence, example, turning out  
25 lights in a public building when the

1 room is not in use."

2 Now, sir, did I -- did I read that  
3 correctly?

4 MR. DALE HILDEBRAND: Yes.

5 MS. PATTI RAMAGE: Okay. And then --

6 MR. DALE HILDEBRAND: Excep -- except for  
7 one (1) word, but the meaning is clear. Thank you.

8 MS. PATTI RAMAGE: We got the idea? And  
9 then in (E) you say:

10 "Please comment on -- on the  
11 relationship between price sensitivity  
12 and consumption in situations where the  
13 customer is not responsible for payment  
14 of energy accounts, that is, energy  
15 efficiency impacted by who pays the  
16 energy bill."

17 And in response to that question you  
18 indicated:

19 "Please see response to D above.  
20 Desiderata is of the view that customer  
21 education and a well-defined and  
22 targeted energy management program can  
23 have a significant impact on the  
24 implementation of energy management  
25 initiatives regardless of cost respen -

1                   - responsibility for electricity bills.  
2                   In general, Desiderata would expect  
3                   that energy efficiency is impacted by  
4                   who pays the energy bill with those  
5                   customers with direct cost  
6                   responsibility being more inclined to  
7                   adopt energy management initiatives."

8                   Did I read that correctly, sir?

9                   MR. DALE HILDEBRAND:    Yes.

10                  MS. PATTI RAMAGE:    Now, sir, Ms.

11                  Fernandes has passed out a document.  It's -- it's in --  
12                  it's titled, Manitoba Hydro Application Increase  
13                  Electricity Rates in Remote Communities Served by Diesel  
14                  Generation, direct evidence of MKO, prepared by Optimum  
15                  Energy Management Inc.  And that's April 4th of 2003.  
16                  Are you familiar with this document?

17                  MR. DALE HILDEBRAND:    Yes, I am.

18                  MS. PATTI RAMAGE:    And -- and am I  
19                  correct that you prepared this evidence for the 2004  
20                  diesel rate hearing?

21                  MR. DALE HILDEBRAND:    It was prepared by  
22                  myself and my staff at the time.  Yes.

23                  MS. PATTI RAMAGE:    If I could have you  
24                  turn to page 4 of that evidence.  And I'm again going to  
25                  read into the record -- or maybe actually just to make it

1 a little easier on me and so people don't have to hear  
2 me, could you read into the record beginning at the --  
3 the third paragraph, line 18, the sentence beginning with  
4 "also" until the end of that -- end of that paragraph and  
5 the following paragraph.

6 If you could read that evidence into the  
7 record. I'll just do it and I'll --

8 "Also, while we have not made an  
9 explicit study on this topic we believe  
10 that remote customers are generally  
11 price inelastic when it comes to power  
12 consumption for basic residential  
13 services. Electricity can be viewed by  
14 some customers as an essential element  
15 for modern living with some customers  
16 exhibiting inelastic demand response.  
17 For commercial customers very high  
18 electric energy prices may cause a  
19 facility to simply shut down. Proper  
20 rate design should take into  
21 consideration the expected response of  
22 customers from the price signals  
23 inherent in the rate structure."

24 Sir, did I read your 2004 evidence  
25 correctly?



1 MR. DALE HILDEBRAND: You did.

2 MS. PATTI RAMAGE: And can you -- there's  
3 been no explicit study of the diesel communities between  
4 the time you rendered that opinion for MKO and the time  
5 you were retained just -- in this Hearing.

6 Can -- so you can elaborate on -- on how  
7 in 2004 these customers were price inelastic, but today  
8 we expect to see savings from them in the range of 20  
9 percent -- or savings from them that at all in -- in --  
10 I'm sorry -- the 20 percent reference is energy  
11 management -- savings from them in -- in -- or energy --  
12 if ener -- a response to a price signal. I'm sorry if  
13 that was --

14 MR. DALE HILDEBRAND: No. I -- I  
15 understand your point, and -- and I think that's -- was  
16 the same point trying to be made earlier in cross-  
17 examination. I don't view these -- these two (2) as  
18 inconsistent. I'm not saying that customers in the  
19 remote communities have suddenly become elastic, they're  
20 not.

21 They're -- they're generally inelastic and  
22 essentially for those basic services, but as I mentioned  
23 in my direct this morning we need to try something. That  
24 I don't believe that these cost increases are sustainable  
25 in the long-run.

1                   And I don't believe there's any  
2 requirement, other than perhaps interpretation of the  
3 tentative settlement agreement, that grid rates are  
4 required and -- and there for only a portion of -- of the  
5 service.

6                   Whe -- when we talked this morning about  
7 the commercial customers, high electricity prices causing  
8 them to shut down, that's more in the context of  
9 industrial type customers, but it could also apply to --  
10 to commercial customers as well.

11                   But I -- I guess I'd have to ask the  
12 question, if -- if there is a commercial customer in a  
13 remote community and they're paying for a fraction of the  
14 cost of electricity that it cost to produce them, if  
15 they're not there providing an essential service to the  
16 community then maybe they shouldn't be there, and that's  
17 really how the world works. We -- we have a free  
18 enterprise system.

19                   Now, I'm not suggesting that, you know,  
20 services that are required in a community should be shut  
21 down because of high electricity prices.

22                   MS. PATTI RAMAGE:    But to be clear, and I  
23 think I heard this from you, you are not suggesting that  
24 the -- the -- I'll call them the typical residential  
25 customer in these diesel communities are price elastic,

1 is that correct?

2 MR. DALE HILDEBRAND: They are not price  
3 elastic. And, as I've said, they're generally price  
4 inelastic for -- for those basic services. But there  
5 are, I'm aware of, some studies in North America where  
6 they did see a demand response from -- from residential  
7 customers. But, again, my recommendation is based on the  
8 premise that we need to try something.

9 And, in my opinion, that, you know, these  
10 customers are -- are paying a fraction of what it costs  
11 to provide them with electricity. They're not paying a  
12 fraction of what it costs to provide them milk when they  
13 go to the store. Why is -- you know, why is this  
14 commodity so significantly different?

15 I'm not recommending that they should be  
16 paying sixty (60) cents a kilowatt hour. What I'm  
17 recommending is that you send a price signal to them so  
18 they think a little bit harder about energy management.

19 MS. PATTI RAMAGE: That's all my  
20 questions.

21 MR. ROBERT MAYER: Can -- can I now --  
22 now that I have something that talks about isolated  
23 communities, on the document that was just presented  
24 under the heading "Alberta" on page 4. In Alberta there  
25 are approximately ten (10) isolated communities which are

1 served from about 26 megawatts of hydro, natural gas, and  
2 diesel generation.

3 Are those the isolated communities you  
4 were discu -- talking about when you said you visited  
5 them and were able to compare them to the remote  
6 community of Jasper, Alberta, those ten (10) communities?

7 MR. DALE HILDEBRAND: No, sir. The --  
8 the communities that -- that I've been to that I would  
9 say are consistent or similar to those that are -- to  
10 those in the remote communities by and large in Alberta  
11 have become grin -- grid connected over the years. Back  
12 in 2004 these ten (10) isolated communities were, you  
13 know, those ones that hadn't been. And there are still  
14 some significant communities, like Fort Chipewyan it's  
15 twelve hundred (1,200) people still served from diesel.

16 MR. ROBERT MAYER: Okay. Of these ten  
17 (10) communities, how many of them, even back in 9 --  
18 whatever date we did this, 2003, how many of them did not  
19 have road access? By that, I mean all weather road  
20 access.

21 MR. DALE HILDEBRAND: No, I understand.  
22 The community I men -- just mentioned, Fort Chipewyan,  
23 twelve hundred (1,200) residents, does not have all  
24 weather access. They have a winter road for four (4) or  
25 five (5), sometimes six (6) weeks a year, twelve hundred

1 (1,200) people served from diesel; a lot of the same  
2 issues. I'm going there next week, sir.

3 MR. ROBERT MAYER: I'll give you Fort  
4 Chipewyan. Any others?

5 MR. DALE HILDEBRAND: There's -- there's  
6 a few others in Alberta but they're -- they're smaller,  
7 and there's some in -- in the Northwest Territories.

8 MS. PATTI RAMAGE: If I could just jump  
9 in. We should probably make the -- that excerpt from the  
10 2004 hearing an exhibit in this process.

11 THE CHAIRPERSON: Yes.

12 MS. PATTI RAMAGE: I think it's Manitoba  
13 Hydro Exhibit 27.

14 THE CHAIRPERSON: I believe it is too.  
15 Thank you.

16

17 --- EXHIBIT NO. MH-27: Excerpt from the 2004 hearing

18

19 THE CHAIRPERSON: Okay, we'll take the  
20 break now. And when we come back it'll be Mr. Peters,  
21 correct?

22 MR. BOB PETERS: Thank you.

23

24 --- Upon recessing at 2:58 p.m.

25 --- Upon resuming at 3:28 p.m.

1 THE CHAIRPERSON: Mr. Peters?

2 MR. BOB PETERS: Yes. Thank you, Mr.  
3 Chairman.

4

5 CROSS-EXAMINATION BY MR. BOB PETERS:

6 MR. BOB PETERS: And let me start off by  
7 indicating to Mr. Hildebrand, as well as Ms. Hart, and  
8 Ms. Thompson, and Mr. Anderson, that my questions are not  
9 intended to expose any information in the tentative  
10 settlement agreement, but my questions may cover the  
11 minutes of settlement which the Board knows are filed as  
12 Exhibit INAC number 6 in these proceedings.

13 Mr. Hildebrand, good afternoon.

14 MR. DALE HILDEBRAND: Good afternoon, Mr.  
15 Peters. I would also, just before we start, like to  
16 thank you and the Board for being very accommodating to  
17 me, both in September and in this proceeding, with --  
18 with my schedule. I appreciate that very much.

19 MR. BOB PETERS: From my end, you're  
20 welcome, and I realize I stand between you and your --  
21 your ride to another commitment tomorrow, but can you  
22 commit -- can you confirm to the Board that the INAC  
23 Exhibit 6, those are the minutes of settlement that have  
24 been entered into these proceedings, are consistent with  
25 the tentative settlement agreement to the extent that the

1 minutes of settlement deal with any aspects?

2 MR. DALE HILDEBRAND: I think they're  
3 generally consistent but I do not believe that they're  
4 completely consistent, and I would view the tentative  
5 settlement agreement as an enhancement of the minutes of  
6 settlement.

7 The minutes of settlement are what I would  
8 term a term sheet in a -- in a commercial context, and  
9 the tentative settlement agreement would be the contract  
10 that would flow from that term sheet.

11 MR. BOB PETERS: You put on the record  
12 this morning some information that was -- was new to the  
13 Board, and that was that to your knowledge there is --  
14 there are efforts being made at finalizing the tentative  
15 settlement agreement in the relatively near future.

16 Do you recall that?

17 MR. DALE HILDEBRAND: I -- I do.

18 MR. BOB PETERS: Did you have -- have you  
19 had any opportunity to review that tentative settlement  
20 agreement, sir?

21 MR. DALE HILDEBRAND: I have not.

22 MR. BOB PETERS: You also mentioned  
23 before the afternoon recess of Fort Chipewyan, if I have  
24 that right, in Alberta.

25 MR. DALE HILDEBRAND: Yes.

1                   MR. BOB PETERS:    A diesel community of  
2 some twelve hundred (1,200) residents.

3                   MR. DALE HILDEBRAND:    Yes.

4                   MR. BOB PETERS:    And in addition to that,  
5 you're aware of other smaller diesel communities in  
6 Alberta that are also free-standing communities of diesel  
7 generation.

8                   MR. DALE HILDEBRAND:    Yes.  I believe  
9 that there's about \$16 million a year of -- of expenses  
10 for those remote communities that get spread across all  
11 electricity consumers in Alberta.

12                   MR. BOB PETERS:    Okay.  Well, let's just  
13 understand that.  The Fort Chippewa -- Chipewyan  
14 community, does that have its own cost of service?

15                   MR. DALE HILDEBRAND:    No.

16                   MR. BOB PETERS:    And none of these other  
17 diesel communities have their own cost of service?

18                   MR. DALE HILDEBRAND:    No, sir.

19                   MR. BOB PETERS:    So Manitoba to you is  
20 unique in that regard?

21                   MR. DALE HILDEBRAND:    Yes.

22                   MR. BOB PETERS:    Do these communities in  
23 Alberta receive any -- any support, assistance, or  
24 funding from INAC?

25                   MR. DALE HILDEBRAND:    Not that I'm aware



1 of.

2 MR. BOB PETERS: Do the communities in  
3 Alberta pay only grid rates? That is, the communities on  
4 the diesel service.

5 MR. DALE HILDEBRAND: Grid rates is a  
6 little bit difficult concept to apply directly to  
7 Alberta, so I'll just be a little bit more succinct, if I  
8 could.

9 In Alberta there are different  
10 distribution utilities that have different rates, and if  
11 you are in a remote community versus a grid connected  
12 customer community you would pay the same distribution  
13 tariff rates, and by extension that would mean you'd pay  
14 the same transmission tariff rates.

15 What you pay for the energy, or the  
16 electricity component, of your bill is strictly a  
17 function of which retailer you've chosen, and what  
18 financial arrangements you've made with that retailer.

19 MR. BOB PETERS: So if I understand your  
20 evidence, consumers in Fort Chipewyan as well as the  
21 other small remote diesel communities in Alberta can  
22 select their energy provider?

23 MR. DALE HILDEBRAND: They can select  
24 their -- their retailer, and, yes.

25 MR. BOB PETERS: Okay. Then help the

1 Board understand. How does that retailer provide them  
2 with diesel generated electricity?

3 MR. DALE HILDEBRAND: The retailer does  
4 not provide them with diesel electricity. The -- we --  
5 we need to separate in your mind what I call the -- the  
6 physical supply of electricity and the -- and the  
7 financial supply of electricity.

8 The -- what the legislation says in  
9 Alberta is that if you're a grid connect customer or  
10 you're a remote connected customer you'll get the same  
11 treatment. And so, for example, a customer in Fort  
12 Chipewyan could go to a retailer and say, I would like to  
13 buy electricity at a fixed price for the next three (3)  
14 years. And that retailer would say, I will provide you  
15 with that electricity at a fixed price of seven (7) cents  
16 a kilowatt hour, for example.

17 And the financial transactions that would  
18 take place is the customer would pay the seven (7) cents.  
19 The retailer would earn the seven (7) cents. The  
20 retailer would then go and do whatever arrangements they  
21 need to do to keep themselves comfortable that they can  
22 provide that electricity at seven (7) cents and -- and  
23 still make their business model make sense.

24 But what physically happens, Mr. Peters,  
25 is the incremental costs to produce diesel generation in

1 these remote communities flows through into the  
2 transmission tariff and is smeared across all consumers  
3 in the province, and that subsidy, if you will, which I  
4 believe is about \$16 million a year, is then paid for by  
5 the whole province, every consumer in the province, on an  
6 energy basis in the transmission tariff.

7 MR. BOB PETERS: I understand your point.  
8 Okay. You said a \$16 million cost of service, but it's  
9 probably higher than that, recognizing that the customers  
10 themselves pay some portion of the cost to serve  
11 themselves.

12 MR. DALE HILDEBRAND: No. I'm sorry if I  
13 -- I've mi -- mislead you. The -- let's just drill down  
14 into a few more specifics and see if I can help you. All  
15 of the remote communities are served by one (1)  
16 distribution utility, and that's ATCO Electric.

17 So ATCO Electric in those communities owns  
18 the generation and they calculate the -- the cost of that  
19 generation and they essentially send a bill to the  
20 transmission administrator for \$16 million a year. And  
21 the transmission administrator collects that \$16 million  
22 from every consumer in the province through the  
23 transmission tariff.

24 So ATCO Electric is now kept whole and  
25 they collect revenue from every consumer in the remote

1 communities as if they were grid connected; they're on  
2 the same tariff as if they were grid connected.

3 MR. BOB PETERS: Thank you. I understand  
4 your -- your distinction made.

5

6 (BRIEF PAUSE)

7

8 MR. BOB PETERS: You're not familiar with  
9 another example in the diesel community that would be  
10 akin more to what happens in Manitoba.

11 MR. DALE HILDEBRAND: I'm not.

12 MR. BOB PETERS: In your recommendations,  
13 and I'll -- I'll try to deal with them sequentially in  
14 the time that we have, your first recommendation has been  
15 covered quite extensively, but one (1) of the points was  
16 that Manitoba Hydro was trying to put approximately two  
17 hundred and twenty-two thousand dollars (\$222,000) worth  
18 of interest into the revenue requirement, correct?

19 MR. DALE HILDEBRAND: Yes, sir.

20 MR. BOB PETERS: You're opposed to that  
21 as you are with the depreciation expense of about three  
22 hundred and fifty-seven (357), three hundred and sixty-  
23 thousand dollars (\$360,000).

24 MR. DALE HILDEBRAND: Correct.

25 MR. BOB PETERS: And -- but -- and I -- I

1 just want to focus on the interest. You see the interest  
2 being used as a penalty against those who should be held  
3 responsible for the delay or the shortcomings in the  
4 consultation process. Would that be fair?

5 MR. DALE HILDEBRAND: I wouldn't classify  
6 it as -- as a penalty, sir. I mean, it is -- it is a  
7 cost. Money has a cost.

8 MR. BOB PETERS: Your point is, based on  
9 the information you have received, Manitoba Hydro could  
10 have done a better job in its consultation process.

11 MR. DALE HILDEBRAND: Yes, sir, I believe  
12 that to be true.

13 MR. BOB PETERS: And you believe that  
14 based on -- not that you had any firsthand knowledge of  
15 that, but based on what you've been told.

16 MR. DALE HILDEBRAND: Been told and from  
17 the re -- review of the materials on the -- in the -- on  
18 the record in this proceeding.

19 MR. BOB PETERS: All right. And you've  
20 also seen some of the documents that Manitoba Hydro has  
21 put forward in their rebuttal and otherwise, correct?

22 MR. DALE HILDEBRAND: Yes, sir.

23 MR. BOB PETERS: That cause you to change  
24 your mind a little bit on that?

25 MR. DALE HILDEBRAND: A little bit. As -

1 - as I said earlier, it -- it takes two (2) to tango, and  
2 I think probably both parties have some -- should be  
3 taking some responsibility for the fact that these  
4 negotiations have taken so long.

5 In -- in other instances, my understanding  
6 is that there -- the consultation was not done at all, or  
7 not attempted.

8 MR. BOB PETERS: So you had to put  
9 yourself in the position of, I guess, the trier of fact  
10 in that you -- you had to meet out what you think is a  
11 reasonable penalty, and you decided that it shouldn't all  
12 fall to INAC.

13 That would be fair?

14 MR. DALE HILDEBRAND: When I wrote my  
15 evidence, the information on the record at that time  
16 suggested that none of it should fall -- none of it  
17 should be in the -- in the revenue requirement.

18 MR. BOB PETERS: And you've now told me  
19 you've changed your position, at least slightly, and now  
20 you might go as far as fifty-fifty (50/50), or have you  
21 quantified it any finer than that?

22 MR. DALE HILDEBRAND: I haven't  
23 quantified it, sir.

24 MR. BOB PETERS: The consequences of  
25 Manitoba Hydro being found at fault, who do you

1 understand bears that cost?

2 MR. DALE HILDEBRAND: I -- I think in all  
3 reality it's reduced retained earnings within the  
4 Corporation.

5 MR. BOB PETERS: But you're aware that  
6 when retained earnings get to a certain level, or not at  
7 a certain level, Manitoba Hydro will be seeking a rate  
8 increase from this Board.

9 MR. DALE HILDEBRAND: Absolutely, yes.

10 MR. BOB PETERS: And those rates are paid  
11 by Manitoba consumers.

12 MR. DALE HILDEBRAND: Yes, sir.

13 MR. BOB PETERS: Doesn't that follow then  
14 that if -- if you're going to say, in your words, let  
15 Manitoba Hydro bear the -- the penalty, what that really  
16 amounts to is let the ratepayers of Manitoba Hydro accept  
17 responsibility for it.

18 MR. DALE HILDEBRAND: Well, if they're  
19 the last entity standing, yes, that's what it means, but  
20 there needs to be cost responsibility on utilities. I  
21 think there's also a materiality component here. I don't  
22 think that a couple hundred thousand dollars even  
23 registers.

24 MR. BOB PETERS: It's a rounding error,  
25 some people might say.

1 MR. DALE HILDEBRAND: I'm biting my  
2 tongue, sir.

3 MR. BOB PETERS: Mr. Hildebrand, if --  
4 let's just take the situation I don't think anybody's yet  
5 asked about, that Manitoba Hydro believes that a capital  
6 expenditure is necessary to provide a safe and reliable  
7 service, and let's just say that through their legitimate  
8 and serious consultations that view is not shared by the  
9 communities and, therefore, INAC doesn't share that  
10 opinion.

11 What happens in that situation?

12 MR. DALE HILDEBRAND: Well, I think one  
13 (1) of two (2) things happens. My interpretation of the  
14 agreement would probably be that the capital is not  
15 expended. And if that results in a degradation of  
16 service to the communities, then that's the consequence.

17 The other thing that could happen, number  
18 2, is that Manitoba Hydro goes ahead and makes the  
19 expenditure without having the funding in place, and in  
20 my view, they did that at their own risk.

21 MR. BOB PETERS: And so the communities  
22 should be punished if their representatives and INAC  
23 don't agree with Manitoba Hydro on a -- a safe and  
24 reliable capital expenditure that Hydro insists be made,  
25 but other parties say isn't necessary.



1                   MR. DALE HILDEBRAND:    I think in the same  
2 way that I get punished when my politicians that I elect  
3 make decisions that I don't agree with.

4                   MR. BOB PETERS:    I didn't elect Mr.  
5 Wiens, though.  I mean, I didn't --

6                   MR. DALE HILDEBRAND:    No, but I'm sorry,  
7 I -- I took your analogy to mean that the -- the  
8 consumers that would be punished would be the folks in  
9 those remote communities who have band and -- and counsel  
10 -- chief and counsel that are representing them through  
11 MKO at -- at the table.

12                   MR. BOB PETERS:    Can you see that being a  
13 practical problem when the lights go out in a -- in a  
14 diesel community, and then there's finger pointing as to  
15 who's responsible, just because some safe and reliable  
16 capital expenditure widget never got purchased, or  
17 installed?

18                   MR. DALE HILDEBRAND:    Sure.  I mean that  
19 -- that could happen.  That could happen regardless.  I  
20 mean --

21                   MR. BOB PETERS:    Even worse than the  
22 lights going out; someone could get hurt.  And worse than  
23 that, someone could get killed.

24                   MR. DALE HILDEBRAND:    Well, I think  
25 you're -- you're taking it to an extreme, sir, but...

1                   MR. BOB PETERS:   Admittedly, but doesn't  
2 it follow?

3                   MR. DALE HILDEBRAND:   I don't think it  
4 follows. I mean, what we're talking about is -- is -- is  
5 it necessary to expend capital in these remote  
6 communities. And presumably you have to -- or at least,  
7 in my view, you have to have faith that the MKO and --  
8 and bound -- band council and -- and INAC, if they're at  
9 the table, would be responsible enough to ensure that the  
10 capital expenditures are -- that are required do get  
11 made.

12                   But I think the -- the whole point of this  
13 exercise is to make sure that they're prudently incurred  
14 and that -- that there is cost responsibility. I mean, I  
15 don't like it if someone goes ahead and does something  
16 and just simply sends me the bill and I don't have any  
17 input into it and don't have an opportunity to review it  
18 or approve it. I mean, that's just not how business  
19 works, in my view.

20                   MR. BOB PETERS:   Your inclusion takes a  
21 leap of faith that the community representatives and  
22 Hydro will make the right decision by way of consensus on  
23 a hundred percent of the times.

24                   MR. DALE HILDEBRAND:   Yeah, and I don't  
25 think it's a leap of faith. I mean, I've been involved

1 in numerous negotiated settlement discussions with  
2 utilities on -- on different matters over the years, and,  
3 you know, any kind of a premise or assumption that the  
4 utilities always have a right and they're the only ones  
5 that understand this industry and -- I mean, that's just  
6 not right. That's -- that has not been my experience.

7 My experience is when you get parties  
8 together and have open and frank consultation, that what  
9 comes out of it is usually a better solution. And it may  
10 be something that the utility has not thought of and it  
11 may be something that the utility didn't fully understand  
12 and you may come up with a better solution or a lower  
13 cost solution. And I think that's why you have the  
14 consultation.

15 MR. BOB PETERS: But that may not happen  
16 in every instance. You can't be certain of that.

17 MR. DALE HILDEBRAND: No, you can't.

18 MR. BOB PETERS: Let's just take the  
19 situation where Manitoba Hydro's application as filed was  
20 approved by this Board and that by doing that this Board  
21 imbedded about five hundred and eighty thousand dollars  
22 (\$580,000) of depreciation and interest in the rates.  
23 Let's just make that assumption.

24 MR. DALE HILDEBRAND: Yes, sir.

25 MR. BOB PETERS: And if it later becomes

1 determined that the capital that Manitoba Hydro expended  
2 which gave rise to that interest and depreciation was not  
3 found to be used, useful, and prudently acquired, what  
4 remedy does the Board have or parties who are aggrieved  
5 by that have?

6 MR. DALE HILDEBRAND: I have to admit  
7 that I do not fully understand the -- the rules of  
8 practice here in -- in Manitoba. I would presume that if  
9 it was found that that capital was -- was not prudently  
10 incurred or not used and useful, that -- that MKO could  
11 bring an application before this Board and ask for the  
12 rates to be adjusted, and that's what I'm not clear on in  
13 whether consumers have the right to -- to file  
14 applications in this province.

15 MR. BOB PETERS: Let's assume they do and  
16 that your answer is -- is fully understood, and even if  
17 it's not, they could object at a later Manitoba Hydro  
18 filing that the rates need to be adjusted downward as a  
19 result of capital expenditures that were included in  
20 rates through interest and depreciation but were not  
21 used, useful and prudently acquired.

22 MR. DALE HILDEBRAND: Yeah. And I think  
23 there's a discussion around interim verses final rates.  
24 In other jurisdictions some regulators allow for a  
25 complaint process for -- for those types of things to get

1 before them.

2 MR. BOB PETERS: You've -- you've  
3 defended your position to Ms. Bowman and I believe Ms.  
4 Ramage dealing with the revenue shortfall, and I think  
5 we're in agreement that we're -- you're -- you're  
6 referring to revenue shortfall as what it costs to serve  
7 a residential customer compared to what that residential  
8 customer is responsible for in rates.

9 That's one (1) part of the formula to  
10 derive what the revenue shortfall is, correct?

11 MR. DALE HILDEBRAND: Correct.

12 MR. BOB PETERS: And then you do the same  
13 math for the general service customer, where they're  
14 paying grid rates for the first 2,000 kilowatts per month  
15 -- kilowatt hours per month and, therefore, there's also  
16 an additional revenue shortfall that exists?

17 MR. DALE HILDEBRAND: Correct.

18 MR. BOB PETERS: When you add up all that  
19 revenue shortfall it's about \$3.6 million in this -- in  
20 this filing?

21 MR. DALE HILDEBRAND: Sure. Subject to  
22 check.

23 MR. BOB PETERS: All right. And of that  
24 3.6 million approximate monies INAC and the federal  
25 government departments are being looked to for about the

1 better part of \$3 million of that money, which you say is  
2 a little excessive?

3 MR. DALE HILDEBRAND: I'm -- I'm not  
4 suggesting that it's excessive, I'm just -- I'm  
5 questioning whether it's fair.

6 MR. BOB PETERS: All right. And -- and  
7 you've stated the -- the fairness has to do with whether  
8 or not you're using the same percentages and you're given  
9 the Board some information in your testimony through Ms.  
10 Ramage on that?

11 MR. DALE HILDEBRAND: Correct.

12 MR. BOB PETERS: Let's turn away from  
13 that revenue shortfall item and let's move to the  
14 subsidies that Manitoba Hydro presently provides to  
15 consumers in the diesel zones.

16 MR. DALE HILDEBRAND: Okay.

17 MR. BOB PETERS: You're familiar that  
18 there is a revenue to cost ratio subsidy to both  
19 residential and general service consumers?

20 MR. DALE HILDEBRAND: Yes, sir.

21 MR. BOB PETERS: And have you ever  
22 encountered that anywhere else in remote communities?

23 MR. DALE HILDEBRAND: No.

24 MR. BOB PETERS: And who do you  
25 understand pays that approximate million dollars subsidy?

1 Who do you ultimately understand would pay that  
2 approximate million dollar subsidy?

3 MR. DALE HILDEBRAND: It would either be  
4 reduced retained earnings from Manitoba Hydro or they  
5 would add it to their revenue requirement when the  
6 calculate grid rates.

7 MR. BOB PETERS: So the grid customer  
8 ends up paying it?

9 MR. DALE HILDEBRAND: Presumably.

10 MR. BOB PETERS: There's also in this  
11 Application a movement away from a full cost rate to a  
12 tail block rate, you're familiar with that?

13 MR. DALE HILDEBRAND: Yes, sir.

14 MR. BOB PETERS: And that spins off about  
15 three hundred and twenty-two thousand dollars (\$322,000)  
16 of a subsidy as well to the residential and general  
17 service customers?

18 MR. DALE HILDEBRAND: Correct.

19 MR. BOB PETERS: That too is going to be  
20 -- if Manitoba Hydro's Application is approved, it's  
21 going to end up on the -- ultimately on the bills of grid  
22 customers?

23 MR. DALE HILDEBRAND: Correct.

24 MR. BOB PETERS: And then the provincial  
25 government has been given different treatment in this

1 Application, correct?

2 MR. DALE HILDEBRAND: That is what's  
3 proposed.

4 MR. BOB PETERS: Does that aggrieve you  
5 in any way in terms of providing your advice to INAC?

6 MR. DALE HILDEBRAND: Sorry. I -- I'm  
7 not sure about -- that -- that's a big word for me. I  
8 don't agree with that proposal, sir. I -- I believe it's  
9 -- for two (2) reasons have I stated my evidence. One  
10 (1) is I believe it -- it sends the inappropriate price  
11 signal to those provincial government accounts.

12 And -- and secondly, it's shifting the --  
13 the cost responsibility from taxpayers to ratepayers.

14 MR. BOB PETERS: The price signal that  
15 you're talking about is the difference between forty-five  
16 cents and fifty-nine cents?

17 MR. DALE HILDEBRAND: No, I believe it's  
18 for those provincial government accounts that are not  
19 going to pay the -- the --

20 MR. BOB PETERS: I'm sorry to interrupt.  
21 You're talking about then the -- the Hydro subsidy in  
22 lieu of provincial surcharge revenue?

23 MR. DALE HILDEBRAND: Correct.

24 MR. BOB PETERS: And that's the better  
25 part of six hundred and twenty thousand dollars



1 (\$620,000)?

2 MR. DALE HILDEBRAND: Subject to check,  
3 yes.

4 MR. BOB PETERS: All right. So rather  
5 than that six hundred and twenty thousand dollars  
6 (\$620,000) being paid by, ultimately, the grid customers  
7 in my suppositions you're saying that should stay with  
8 the taxpayer, being the Province of Manitoba, to find the  
9 funds?

10 MR. DALE HILDEBRAND: Correct.

11 MR. BOB PETERS: From a rate design  
12 principle, Mr. Hildebrand, should the rates that are  
13 charged in the diesel zone recover 100 percent of the  
14 cost to serve those in the diesel zone?

15 MR. DALE HILDEBRAND: That's not  
16 realistic.

17 MR. BOB PETERS: No. But from a rate  
18 design perspective that would be the -- the principle  
19 with which you would start?

20 MR. DALE HILDEBRAND: Yes.

21 MR. BOB PETERS: And in this instance,  
22 the only exception to that is that the grid customers are  
23 paying some subsidies to support the costs incurred in  
24 the diesel zone?

25 MR. DALE HILDEBRAND: Well, the grid

1 customers are paying a portion of those subsidies, the  
2 First Nations and INAC are paying a portion of those  
3 subsidies as well.

4 MR. BOB PETERS: Well, then let's make  
5 sure I'm on the same -- the same understanding of you.  
6 INAC's payment relates to the revenue shortfall that you  
7 have defined as a result of residential and general  
8 service customers being charged grid rates, that's INAC's  
9 contribution to the subsidy, they pay a portion of that.

10 MR. DALE HILDEBRAND: Correct.

11 MR. BOB PETERS: In addition to that  
12 there are RCC subsidies that we talked about, tail rate  
13 subsidies, unrecovered provincial government revenue and a  
14 subsidy in lieu of provincial surcharge revenue, none of  
15 that is being paid by INAC.

16 MR. DALE HILDEBRAND: Not that I'm aware  
17 of, no.

18 MR. BOB PETERS: So there's about two  
19 point -- \$2.2 million that's flowing through to the grid  
20 customers out of the \$8 million cost to service for the  
21 diesel zone.

22 MR. DALE HILDEBRAND: Yes, I believe that  
23 to be correct.

24 MR. BOB PETERS: Are you aware that the  
25 diesel zone has not been recovering all of its operating

1 costs since 2004?

2 MR. DALE HILDEBRAND: Yes, sir.

3 MR. BOB PETERS: And there's  
4 approximately, in my numbers, \$8.3 million that's  
5 accrued?

6 MR. DALE HILDEBRAND: Yes, sir.

7 MR. BOB PETERS: Again, is that not  
8 something that accrued as a result of customers for whom  
9 INAC has some responsibility?

10 MR. DALE HILDEBRAND: I would say, yes.

11 MR. BOB PETERS: And therefore, should it  
12 not be that INAC has some responsibility to pay that  
13 accumulated operating cost -- cost deficit?

14 MR. DALE HILDEBRAND: I mean, I -- I  
15 can't speak for, you know, the commercial arrangements  
16 between the parties, but if the intent is -- is that each  
17 party should pay for their share, then that would follow.

18 MR. BOB PETERS: When you deducted  
19 interest and depreciation from the rate structure, you --  
20 what you did was you lowered the revenue requirement in  
21 Manitoba Hydro's filing, correct?

22 MR. DALE HILDEBRAND: Yes, sir.

23 MR. BOB PETERS: I think you and Ms.  
24 Ramage were just not on the same page on that, but the  
25 cost -- the overall cost of service to client, not just

1 the revenues that you were proposing?

2 MR. DALE HILDEBRAND: I reduced the  
3 revenue requirement, but I did not reduce the rate  
4 revenue.

5 MR. BOB PETERS: Right. All right. But  
6 the overall cost of service for the community did decline  
7 --

8 MR. DALE HILDEBRAND: Yes --

9 MR. BOB PETERS: -- by the amount of the  
10 interest and depreciation?

11 MR. DALE HILDEBRAND: Yes. And -- and  
12 sorry, what you're calling cost of service, I call  
13 revenue requirement.

14 MR. BOB PETERS: Correct. Is it your  
15 position, Mr. Hildebrand, that if there are capital costs  
16 going forward that INAC's responsibility should be the  
17 75, 76 percent range?

18 MR. DALE HILDEBRAND: Yes, my  
19 understanding is the parties agreed to the capital split  
20 in 2004.

21 MR. BOB PETERS: Would you also advocate  
22 that be the capital split if there was a major capital  
23 project to bring in land lines into these communities?

24 MR. DALE HILDEBRAND: It would not be an  
25 unreasonable position.

1 MR. BOB PETERS: If it was good enough in  
2 2004, it should be good enough going forward?

3 MR. DALE HILDEBRAND: Well, I think the  
4 evidence that I've seen from Manitoba Hydro would suggest  
5 that it -- while the number may not be 75 percent today,  
6 it might be 76 or 77, it's generally in the same  
7 ballpark.

8 MR. BOB PETERS: And you're using a  
9 consumption based calculation to support that?

10 MR. DALE HILDEBRAND: I believe that's  
11 the evidence that they provided in INAC/Manitoba Hydro-  
12 25.

13 MR. BOB PETERS: Yeah, I've got the --  
14 the citation, but you're relying on the -- on -- on  
15 consumption data to come to those ratios?

16 MR. DALE HILDEBRAND: Yes, sir.

17 MR. BOB PETERS: Yeah.

18 MR. DALE HILDEBRAND: And...

19 MR. BOB PETERS: INAC ends up funding a  
20 high percentage of the electricity costs for residential  
21 and some general service customers in these four (4)  
22 communities, isn't that correct?

23 MR. DALE HILDEBRAND: Yes.

24 MR. BOB PETERS: How much more money is  
25 Manitoba Hydro seeking through this Rate Application than

1 what they presently recover in rates, do you recall?

2 MR. DALE HILDEBRAND: I -- I don't.

3 MR. BOB PETERS: Approximately \$1.1  
4 million, if I look at one (1) of their first schedules.

5 MR. DALE HILDEBRAND: Sorry, just to make  
6 sure I understand, sir, you're say -- are you asking  
7 about what -- what is the incremental revenue requirement  
8 minus rate -- revenue at current rates --

9 MR. BOB PETERS: No, that was --

10 MR. DALE HILDEBRAND: -- or is that --

11 MR. BOB PETERS: -- no, that's not my  
12 question.

13 MR. DALE HILDEBRAND: I'm sorry.

14 MR. BOB PETERS: My question is that, in  
15 terms of increasing the rates that they have applied for  
16 before this Board, how much additional revenue does  
17 Manitoba Hydro expect to recover out of that?

18 MR. DALE HILDEBRAND: So I'll -- I'll  
19 take your 1.1 million, subject to check, or would you  
20 like me to look it up, sir?

21 MR. BOB PETERS: No, no. I don't want  
22 you to calculate that. I can -- let's just turn to tab 3  
23 of the book of documents. Do you still have a copy of my  
24 --

25 MR. DALE HILDEBRAND: Yes, sir.

1 MR. BOB PETERS: -- documents? You may  
2 be more correct than I in the way you tried to ask it.  
3 If you look at tab 3, you see a copy of schedule 2.

4 MR. DALE HILDEBRAND: Yes, I have that.

5 MR. BOB PETERS: And you'll see current  
6 rates versus proposed rates, the difference being about  
7 \$1.134 million?

8 MR. DALE HILDEBRAND: Right.

9 MR. BOB PETERS: If --

10 MR. DALE HILDEBRAND: The incremental  
11 revenue that they're proposing to collect --

12 MR. BOB PETERS: Yes.

13 MR. DALE HILDEBRAND: -- would be about  
14 the \$1.1 million higher.

15 MR. BOB PETERS: Yes.

16 MR. DALE HILDEBRAND: Yes, sir.

17 MR. BOB PETERS: You -- you -- and of  
18 that 1.134 million, how much of that will INAC pay if  
19 this Application is approved as filed?

20 MR. DALE HILDEBRAND: I don't know, but I  
21 expect a vast majority.

22 MR. BOB PETERS: I thought you did the  
23 calculation, and let me find it, came up with  
24 approximately nine hundred thousand dollars (\$900,000)?

25 Do you recall that calculation?

1                   MR. DALE HILDEBRAND:    I -- I don't, and  
2 Mr. Mills has suggested it might have been him that did  
3 that calculation.

4                   MR. BOB PETERS:     All right.

5                   MR. DALE HILDEBRAND:    But I -- I'd be  
6 happy to confirm that if that would be of assistance.

7                   MR. BOB PETERS:     No, that's fine.  You  
8 talk about energy management for the diesel zone.  Isn't  
9 it correct that INAC ends up paying the bulk of the  
10 residential electricity costs, and some of the general  
11 service costs, as well?

12                  MR. DALE HILDEBRAND:    Yes.  That's my  
13 impression.

14                  MR. BOB PETERS:     Would that -- Mr.  
15 Hildebrand, wouldn't that suggest that INAC has a vested  
16 interest in reducing the costs that get paid?

17                  MR. DALE HILDEBRAND:    Yes, sir.

18                  MR. BOB PETERS:     Wouldn't that suggest  
19 that if INAC has an interest in reducing the costs that  
20 are paid, that INAC would take some steps to introduce  
21 energy management that would yield savings to themselves?

22                  MR. DALE HILDEBRAND:    Well, I -- I think  
23 that would follow, but with all due respect to my client,  
24 I don't think they know very much about energy  
25 management.  I don't think that's their business, and for



1 -- for them to do that, they would need to presumably  
2 hire third-party folks to provide those services, but  
3 that expertise does reside, and I think it resides within  
4 Manitoba Hydro.

5 MR. BOB PETERS: Or Manitoba Hydro can go  
6 out and fi -- and -- and hire third-parties to come and  
7 do a home audit.

8 MR. DALE HILDEBRAND: Sure.

9 MR. BOB PETERS: But so could INAC.

10 MR. DALE HILDEBRAND: Yes, sir.

11 MR. BOB PETERS: INAC hasn't done it.

12 MR. DALE HILDEBRAND: Not that I'm aware  
13 of.

14 MR. BOB PETERS: Are you aware of any  
15 demand-side management, or energy management steps taken  
16 by INAC?

17 MR. DALE HILDEBRAND: I -- I'm not. I'm  
18 not aware of the First Nations either, who I -- I think  
19 in the end is the customer, not INAC, so I'd like to make  
20 sure we're all clear on that.

21 MR. BOB PETERS: If we look at -- do you  
22 have a copy of an exhibit filed -- an undertaking filed  
23 by Manitoba Hydro, and it's their Undertaking number 2  
24 filed as Hydro Exhibit number 8? Mr. Hildebrand, let me  
25 just withdraw that. I'm going to turn this way --

1                   MR. DALE HILDEBRAND:    I think I have it,  
2 Mr. Peters.

3                   MR. BOB PETERS:    Well, then turn to the  
4 INAC undertaking that was recently filed, and it would  
5 have been filed, I guess, through the offices of Mr.  
6 Mills and his counsel.  INAC Exhibit 8, and this is  
7 Undertaking number 22, Mr. Chairman.  You mentioned it  
8 this morning in your opening comments.  And the question  
9 was posed for INAC to indicate the number of families and  
10 single people that are receiving income assistance.

11                   I don't know if you've had a chance to  
12 review that or not, Mr. Hildebrand, but it was  
13 information prepared by INAC relative to the consumers in  
14 the diesel First Nation -- diesel communities.

15                   MR. DALE HILDEBRAND:    Sorry, I have not  
16 had an opportunity to review it but I --

17                   MR. BOB PETERS:    Would you take, subject  
18 to check, that there are eight hundred and forty-six  
19 (846) recipients of income assistance --

20                   MR. DALE HILDEBRAND:    Yes.

21                   MR. BOB PETERS:    -- in the diesel zone --  
22 in the diesel First Nations in the diesel zone?

23                   MR. DALE HILDEBRAND:    Yes, sir.

24                   MR. BOB PETERS:    And while there's eight  
25 hundred and forty-six (846) recipients of income

1 assistance, if you add in the beneficiaries of the income  
2 assistance, that number essentially doubles to seventeen  
3 hundred and ninety-eight (1,798) individuals.

4 MR. DALE HILDEBRAND: Yes.

5 MR. BOB PETERS: And those are the  
6 individuals, many of whom INAC ends up paying the  
7 electricity bills for, correct?

8 MR. DALE HILDEBRAND: Well, to be  
9 succinct, INAC provides funding to the First Nations, who  
10 pay the bills.

11 MR. BOB PETERS: And included in the INAC  
12 schedules of funding and their formulas is an amount on  
13 account of electricity, specifically diesel-generated  
14 electricity.

15 MR. DALE HILDEBRAND: Correct.

16 MR. BOB PETERS: And there's an  
17 expectation, is there not, on behalf of INAC that the  
18 money they provide to the First Nations that is earmarked  
19 on account of electricity costs will end up being paid  
20 for electricity costs in those communities?

21 MR. DALE HILDEBRAND: I don't know if  
22 that's the case, but I would presume that would be the  
23 case. My -- my understanding is that the intent of the  
24 federal government is to provide these First Nations with  
25 an opportunity for a level of self-governance, and they

1 are provided with funds, and -- and then the First  
2 Nations are to expend those funds as they see fit.

3 MR. BOB PETERS: All right. Well, let's  
4 accept that there's the autonomy to spend the moneys but  
5 the moneys have come to them because INAC has developed a  
6 formula that includes funding for electricity costs.

7 MR. DALE HILDEBRAND: Yes, sir.

8 MR. BOB PETERS: And, as you said, it  
9 would be reasonable to have an expectation that if INAC  
10 was paying the money on account of electricity costs,  
11 that it would get carried forward and paid ultimately by  
12 the band responsible for electricity costs.

13 MR. DALE HILDEBRAND: Yes, sir.

14 MR. BOB PETERS: And INAC's funding of  
15 those elec -- electricity costs is -- is significant, is  
16 it not?

17 MR. DALE HILDEBRAND: It is.

18 MR. BOB PETERS: And if I understood Mr.  
19 Mills' pre-filed evidence correctly, if the four (4)  
20 diesel First Nations were actually grid connected and  
21 their level of consumption was exactly as it is now, the  
22 O & M funding from INAC would be about \$3.1 million, but,  
23 in fact, because they're on diesel generated service,  
24 they receive some O & M funding in the range of \$5.5  
25 million, which was a 77 percent increase in funding over

1 the grid electric customers, correct?

2 MR. DALE HILDEBRAND: I'll take that,  
3 subject to check.

4 MR. BOB PETERS: And I do see it here.  
5 It was Mr. Mills who -- who provided us with the  
6 approximate nine hundred thousand dollar (\$900,000)  
7 number I mentioned. But your understanding is that of  
8 the additional revenues that are sought by Manitoba  
9 Hydro, nine hundred thousand (900,000) of that will come  
10 from INAC.

11 MR. DALE HILDEBRAND: I -- I'm not  
12 surprised by the magnitude of that number, sir.

13 MR. BOB PETERS: And if Mr. Mills is  
14 telling that to the Board you accept that as accurate.

15 MR. DALE HILDEBRAND: I do.

16

17 (BRIEF PAUSE)

18

19 MR. BOB PETERS: In your fifth  
20 recommendation, 06, you indicated that doubling the grid  
21 rates for residential and general service would send a  
22 strong price signal. That's the premise of it, correct?

23 MR. DALE HILDEBRAND: Yes, sir.

24 MR. BOB PETERS: I also took from your  
25 answers under cross-examination today to be essentially,

1 look at, you know it's not popular, but nothing else has  
2 worked, so this is one (1) of the only suggestions you  
3 can come up with, as unpopular as it might be.

4 MR. DALE HILDEBRAND: When parties hire  
5 consultants they look for recommendations, and this is  
6 the best one I could come up with.

7 MR. BOB PETERS: You indicated in your  
8 discussions about elasticity, with both Ms. Bowman and  
9 Ms. Ramage, that in regards electricity, the First Nation  
10 customers may be relatively price inelastic.

11 Is that correct?

12 MR. DALE HILDEBRAND: I think all of the  
13 consumers in the remote communities are relatively price  
14 inelastic, as are most of the residential and commercial  
15 customers that are grid connected.

16 MR. BOB PETERS: That's price inelastic  
17 related to electricity costs, correct?

18 MR. DALE HILDEBRAND: Correct, yes.

19 MR. BOB PETERS: There may be other items  
20 for which there is more elasticity for items they may pay  
21 out of discretionary incomes?

22 MR. DALE HILDEBRAND: I would suspect  
23 there's a very high level of elasticity for consumers por  
24 -- purchasing luxury cars, for example.

25 MR. ROBERT MAYER: Trucks, generally.

1 MR. DALE HILDEBRAND: Pardon me?

2 MR. ROBERT MAYER: Trucks, generally.

3 MR. DALE HILDEBRAND: Well, no, no, no.

4

5 CONTINUED BY MR. BOB PETERS:

6 MR. BOB PETERS: Would you suggest, Mr.  
7 Hildebrand, that the inelastic nature of the basic needs,  
8 such as electricity, suggests that Hydro should directly  
9 invest in measures affecting such inelastic consumption?

10 MR. DALE HILDEBRAND: Well, I guess I  
11 would ask the question -- the answer is, yes. Manitoba  
12 Hydro sees fit to have a sixty (60) some million dollar  
13 budget for energy management in the rest of the province,  
14 so they obviously feel that that's a good investment.  
15 And when they are investing in energy management for grid  
16 customers, I presume they think about a kilowatt hour  
17 saved is a kilowatt hour they can sell to the US at some  
18 price like six (6) or eight (8) cents a kilowatt hour.

19 I look at it and say, a kilowatt hour  
20 saved in the remote communities cost ten (10) times that,  
21 therefore the impetus to do energy management must be ten  
22 (10) times as great.

23 MR. BOB PETERS: Sorry, if I follow your  
24 answers from earlier to my questions, that impetus would  
25 be ten (10) times greater for not only Manitoba Hydro,

1 but it should be ten (10) times greater for INAC.

2 MR. DALE HILDEBRAND: I think all the  
3 parties should have a very strong incentive to do  
4 everything they possibly can to reduce electricity  
5 consumption in the remote communities.

6 MR. BOB PETERS: Now, there was some  
7 discussion that if the -- if the consumer doesn't  
8 directly pay their account, but it's paid for them by  
9 some means, that would take away the incentive for them  
10 to curtail their electrical consumption.

11 Do you recall that?

12 MR. DALE HILDEBRAND: I would agree with  
13 you, sir. It takes away some of the incentive.

14 MR. BOB PETERS: But it could be that  
15 INAC could invoke moral suasion through its means to try  
16 to get consumers to be more mindful of their electricity  
17 consumption, because that consumption comes out of an  
18 amount sent to the communities.

19 MR. DALE HILDEBRAND: Yeah. True, but  
20 practically I'm not sure how that happens, or how  
21 effective INAC would be. With -- with all due respect to  
22 my client, having some bureaucrats go up to the First  
23 Nations in these remote communities and saying, You  
24 should be reducing your electricity consumption, I don't  
25 see that being overly effective.



1                   The -- it has to -- it has to work through  
2 the First Nations. They're the customer.

3                   MR. BOB PETERS:   Well, that's maybe the  
4 point. Wouldn't it be just as effective for the INAC  
5 representatives, or bureaucrats, to speak with the First  
6 Nations' representatives, and indicate that this is what  
7 the electricity costs are, and if you have some measures  
8 to save electricity it may result in your having more  
9 discretionary income for other projects?

10                  MR. DALE HILDEBRAND:   I'd be shocked if  
11 those discussions haven't taken place, sir.

12                  MR. BOB PETERS:   Do you know if they  
13 have?

14                  MR. DALE HILDEBRAND:   I don't know, but  
15 I'd be surprised if they haven't.

16                  MR. BOB PETERS:   Just on the point of  
17 doubling the domestic rate, or doubling the residential  
18 rate, and the general service rate, you did a calculation  
19 found at Tab 19 of the book of documents that I provided,  
20 where even if you doubled the residential and general  
21 service rate, the impact on INAC would be an increase of  
22 only sixty-one thousand dollars (\$61,000) in terms of  
23 funding.

24                  Do you recall that?

25

1 (BRIEF PAUSE)

2

3 MR. DALE HILDEBRAND: Just a moment,  
4 please.

5

6 (BRIEF PAUSE)

7

8 MR. DALE HILDEBRAND: Mr. Peters, I -- I  
9 believe this was -- response was prepared by Mr. Mills  
10 and INAC and -- and not by myself.

11 MR. BOB PETERS: Do you disagree with it?

12

13 (BRIEF PAUSE)

14

15 MR. DALE HILDEBRAND: I have not reviewed  
16 it, sir, but I'll -- I'll accept it as -- as correct.

17 MR. BOB PETERS: And is it your  
18 understanding that even if the residential rate was  
19 doubled, as you suggest, the impact would be sixty-one  
20 thousand (61,000) on INAC, subject to check of Mr. Mills'  
21 work, but the reason that that net impact is, in my  
22 words, modest is because it will reduce the amount of  
23 subsidy that is built into the government and First  
24 Nation education account rates?

25 Would you agree with that, Mr. Hildebrand?

1 MR. DALE HILDEBRAND: I -- I cannot say.  
2 I'd be more than happy, sir, to ask Mr. Mills to provide  
3 me with --

4 MR. BOB PETERS: I'll -- I'll get that  
5 chance --

6 MR. DALE HILDEBRAND: I think --

7 MR. BOB PETERS: -- tomorrow morning  
8 unless we're staying into the evening. But you  
9 understand, Mr. Hildebrand, that -- that INAC may have  
10 two (2) funds out of which they pay costs related to  
11 electricity? One (1) of them is the operating and  
12 maintenance account and one (1) of them is the income  
13 assistance account?

14 MR. DALE HILDEBRAND: Yes, sir.

15 MR. BOB PETERS: And what I'm saying is  
16 your recommendation to double up the -- the -- the rate  
17 on the residential customers, that will have the effect  
18 of needing more money in the income assistance -- from an  
19 income assistance fund, but it'll need less money out of  
20 the O&M budget that funds the First Nations' education  
21 accounts, for example?

22 MR. DALE HILDEBRAND: Yes, sir. As I --  
23 as I mentioned earlier, I understand that the result of  
24 this recommendation would be a shifting of costs between  
25 customers, between INAC funding sources, but again the

1 intent is to try and reduce costs first and foremost.

2 MR. BOB PETERS: And that can only be  
3 done through effective demand side management planning?

4 MR. DALE HILDEBRAND: Or finding some  
5 other way that I'm not aware of to significantly reduce  
6 energy consumption in the remote communities.

7 MR. BOB PETERS: Oh, you're quite  
8 thoughtful. I'm sure that you've turned your mind to  
9 those points. Perhaps, Mr. Hildebrand, there was an  
10 undertaking that was asked of Manitoba Hydro and it was  
11 along the lines -- it was actually Undertaking 3 marked  
12 as Exhibit number 9, if you want to --

13 MR. DALE HILDEBRAND: I have that.

14 MR. BOB PETERS: -- if you want to look  
15 for it. But the question was what would happen if --  
16 what would happen to the government rate if grid rates  
17 applied to not just the first two thousand (2,000) hours  
18 -- 2,000 kilowatt hours of consumption a month for  
19 residential and general service, but for all of what they  
20 did and the result came back that it would be an increase  
21 of about fifty-five (55) cents to the -- to the  
22 government rate, correct?

23 MR. DALE HILDEBRAND: Yes, sir. I see  
24 that.

25 MR. BOB PETERS: That goes

1 counterintuitive to what recommendations you've made  
2 because it doesn't send what you want to send as a price  
3 signal, correct?

4 MR. DALE HILDEBRAND: Correct.

5

6 (BRIEF PAUSE)

7

8 MR. BOB PETERS: Perhaps I'll ask Mr.  
9 Mills further questions about that. Last area I want to  
10 chat with you about was the electronic spreadsheets. You  
11 use those in other jurisdictions?

12 MR. DALE HILDEBRAND: Yes, sir.

13 MR. BOB PETERS: And you find them quite  
14 useful and helpful?

15 MR. DALE HILDEBRAND: Absolutely.

16 MR. BOB PETERS: And if there's a -- are  
17 those implemented through the voluntary compliance of the  
18 utilities in those other jurisdictions, or is it by way  
19 of a regulat -- regulator's order?

20 MR. DALE HILDEBRAND: In my experience,  
21 both, sir.

22 MR. BOB PETERS: Okay. That means that  
23 the parties try to work together to come up with a  
24 solution and then there's an order, or when they can't  
25 reach a consensus the Board will indicate what -- what is

1 appropriate and required?

2 MR. DALE HILDEBRAND: I think it's more  
3 along the lines of the regulator setting out minimum  
4 filing requirements of a -- an applicant. If the  
5 application is not filed electronically it's simply not  
6 accepted.

7 MR. BOB PETERS: And when you say  
8 "electronically" you mean -- you mean more than just an  
9 email copy, you want the spread sheets to be Excel based?

10 MR. DALE HILDEBRAND: That is the  
11 practice in Alberta now.

12 MR. BOB PETERS: And that allows parties  
13 to -- to change some assumptions that are built into the  
14 spreadsheets?

15 MR. DALE HILDEBRAND: They're -- it's  
16 much easier to analyse the applications. And it's also  
17 much easier to understand how the money flows through --  
18 through the tariffs.

19 MR. BOB PETERS: Are you suggesting to  
20 this Board that if that had been the case in this file it  
21 would have reduced the costs that you would have  
22 incurred?

23 MR. DALE HILDEBRAND: Absolutely.

24 MR. BOB PETERS: And in situations where  
25 it would increase the costs to the utility to prepare

1 spreadsheets that are without any metadata or underlying  
2 assumptions or trade secrets, if you will, that  
3 additional cost is one that -- who pays for that?

4 MR. DALE HILDEBRAND: Well, I guess  
5 firstly I don't view that as being a material cost  
6 increase, it's -- you know, when the utility starts to  
7 prepare their application they know it has to be filed  
8 and -- and prepared in a certain way and it -- and it's  
9 built up from -- from that start.

10 But -- you know, I -- sorry, I just -- I  
11 just look around the room at the amount of time that we  
12 have spent in this proceeding and the amount of paper  
13 that's been generated and I would say there is a definite  
14 cost benefit analysis, and if you did it, it would show  
15 that the -- Manitoba Hydro's incremental cost to provide  
16 electronic filing would have provided benefits -- a net  
17 benefit.

18 MR. BOB PETERS: You're basically saying  
19 if the utility incurs additional costs they should be  
20 permitted to recover that, but you think that that cost  
21 will be offset by subsequent future savings?

22 MR. DALE HILDEBRAND: Yes, sir.

23 MR. BOB PETERS: A point that I didn't  
24 ask when I should have, I see it in my notes here, when  
25 Mr. Anderson was asking you questions, Mr. Hildebrand,

1 and you talked about removing the capital related costs  
2 from the revenue requirement, do you remember that  
3 discussion?

4 MR. DALE HILDEBRAND: Yes, sir.

5 MR. BOB PETERS: Do you also recall that  
6 when you were last here on diesel matters, that included  
7 in the revenue requirement from the utility was an amount  
8 of money representing a percentage of the accumulated  
9 deficit that had accrued --

10 MR. DALE HILDEBRAND: Yes, sir.

11 MR. BOB PETERS: -- in the diesel  
12 community? That's not in this application; is it?

13 MR. DALE HILDEBRAND: No, it's not.

14 MR. BOB PETERS: Should it be?

15 MR. DALE HILDEBRAND: No.

16 MR. BOB PETERS: Why not?

17 MR. DALE HILDEBRAND: Well, it -- it goes  
18 back to some evidence that I -- that I filed. And you --  
19 I think you really have to go back to some first  
20 principles around regulatory matters, and that is: Is --  
21 is the utility at risk or not? And in most jurisdictions  
22 utilities file applications on a prospective basis and  
23 those applications are reviewed and approved by the  
24 regulator. And if the results are different from that  
25 forecast the utilities is at risk and they will take the



1 windfalls, or they will suffer the losses, and then it  
2 all gets trued up at the next application. And that  
3 model typically works well for investor owned utilities.

4           In Manitoba, I understand it's not an  
5 investor owned utility, it's a public utility, but yet I  
6 see in the application filing that Manitoba's not  
7 proposing tariffs based on actuals, they're proposing  
8 tariffs based on forecasts, which tells me that they're  
9 either prepared to take the risk, or that they expect it  
10 to be trued up. But I don't see anything in the  
11 application saying there's going to be a deferral account  
12 and we expect that this be trued up in the future.

13           So if they are prepared to take that risk  
14 then they should be taking that risk, and if that means  
15 they need to come back and get rates adjusted more often  
16 than every several years then that would be the  
17 consequence of that.

18           And I suspect, sir, that the reason  
19 they're not is we're back to materiality. They probably  
20 spent more money preparing this application and going  
21 through this process than they're here to collect.

22           MR. BOB PETERS: Thank you, Mr.  
23 Hildebrand. Mr. Chairman, those complete my questions of  
24 Mr. Hildebrand. I'd like to thank him for his answers  
25 this afternoon and I hope I haven't kept him from his --

1 from his plans. Thank you.

2 THE CHAIRPERSON: Thank you, Mr. Peters.  
3 Ms. Hart, do you have any re-direct?

4 MS. GLYNIS HART: Yes, just very short.  
5 I -- I anticipate it won't take very long

6

7 RE-DIRECT EXAMINATION BY MS. GLYNIS HART:

8 MS. GLYNIS HART: But I did want to  
9 follow up with Mr. Hildebrand on one (1) of the questions  
10 that Mr. Peters had asked Mr. Hildebrand, more on the  
11 demand-side management, or the energy management  
12 programs. And Mr. Peters had asked Mr. Hildebrand about  
13 steps that INAC could take in regard to decreasing  
14 electricity costs through these programs and asked him  
15 whether had INAC had taken any steps in this regard.

16 And in follow-up what I'd like to ask Mr.  
17 Hildebrand is: Could the First Nations do this also?

18 MR. DALE HILDEBRAND: Yes, they should,  
19 and probably more appropriately, as I mentioned to Mr.  
20 Peters.

21 MS. GLYNIS HART: Could -- they could  
22 engage the expertise that they required --

23 MR. DALE HILDEBRAND: Yes, I'd -- I --

24 MS. GLYNIS HART: -- if they --

25 MR. DALE HILDEBRAND: Absolutely.

1 MS. GLYNIS HART: And are you aware that  
2 -- whether there might be funding sources available for  
3 the First Nations to go ahead and engage the expertise  
4 that they don't have or -- if they have that particular  
5 expertise?

6 MR. DALE HILDEBRAND: I'm not aware that  
7 there is any specific funding sources.

8 MS. GLYNIS HART: Thank you. Those are  
9 my questions.

10 THE CHAIRPERSON: Thank you, Ms. Hart.  
11 Well, thank you very much, Mr. Hildebrand. Thank you for  
12 coming and giving your evidence. I wish you a safe trip  
13 back home.

14 MR. DALE HILDEBRAND: It's my pleasure.  
15 And again thank you for indulging me with my time  
16 commitments and other commitments, sir.

17

18 (PANEL STANDS DOWN)

19

20 THE CHAIRPERSON: No problem. So we'll  
21 see everyone else tomorrow morning at 9:00 a.m.

22 Mr. Peters...?

23 MR. BOB PETERS: Yes, I can maybe just  
24 indicate, Mr. Chairman, as you asked me in the opening  
25 comments, the expectation for tomorrow morning is that I

1 have questions of Mr. Mills starting at nine o'clock.  
2 We'll certainly be done before the morning coffee break.  
3 And we have a commitment at 11:00 a.m. tomorrow from the  
4 -- from Dr. Orr and Dr. Larcombe to attend at eleven  
5 o'clock to provide a presentation. And Mr. Anderson, I  
6 believe, is using his best efforts to provide somebody  
7 perhaps for the afternoon, but we may have to wait until  
8 tomorrow to -- to hear definitively, unless Mr. Anderson  
9 knows as he -- at this point in time.

10 MR. MICHAEL ANDERSON: Yeah, thank you,  
11 Mr. Peters. That time schedule sounds like it may work.  
12 We've had our office busy, while I've been here, locating  
13 leadership who's on travel, also, though, some of our  
14 administrators. Because the -- as I understood the  
15 Board's interest, it was to get a feel for what it's like  
16 to live in -- function in a diesel First Nation using  
17 electricity provided by diesel generators. So our staff  
18 has been busy trying to do that. And we haven't  
19 conclusively identified who we're bringing, but they've  
20 got several people that we're speaking to, and I'm going  
21 to -- I've had some messages while I've been sitting  
22 here, and I'll follow up this evening and advise you in  
23 the morning.

24 THE CHAIRPERSON: Very good.

25 MR. MICHAEL ANDERSON: Thank you.

1                   THE CHAIRPERSON:    Thanks.  Okay, we'll  
2 see the rest of you back tomorrow morning at nine  
3 o'clock.

4  
5 --- Upon adjourning at 4:26 p.m.

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7 Certified correct,

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13 Cheryl Lavigne, Ms.

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