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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA HYDRO'S APPLICATION
FOR APPROVAL OF NEW ELECTRICITY RATES
FOR 2010/11 AND 2011/12

Before Board Panel:

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

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
April 14, 2011
Pages 5673 to 5828

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1 --- Upon commencing at 9:35 a.m.

2

3 THE CHAIRPERSON: Okay. Good morning,
4 everyone. Mr. Hacault is going to continue his cross-
5 examination. He indicates that he's able to proceed in
6 the absence of Mr. Warden, so, please, sir. And the
7 absence of Mr. Warden is no longer an issue.

8

9 MANITOBA HYDRO PANEL:

10

11 VINCE WARDEN, Resumed

12 DARREN RAINKIE, Resumed

13 ROBIN WIENS, Resumed

14 HAROLD SURMINSKI, Resumed

15 LLOYD KUCZEK, Resumed

16

17 CONTINUED CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

18 MR. ANTOINE HACAULT: Good morning, all.
19 Mr. Warden, since you are here, if you could go to --
20 just have handy the memo written by Mr. Brennan which was
21 introduced as Manitoba Hydro Exhibit 112. My first
22 question is are there any corrections required to this
23 memo?

24 MR. VINCE WARDEN: Mr. Hacault, I'm --
25 I'm not sure what you mean by corrections. Do -- do you

1 think -- are you suggesting there might -- there -- there
2 could be errors, or are you -- are you suggesting there
3 may be changes subsequent to the memo being issued?
4 Could you clarify?

5 MR. ANTOINE HACAULT: I'm not talking
6 about changes subsequent to the memo. I just want, for
7 example, on page 2 there's a statement:

8 "Overtime costs have grown in a very
9 significant average rate of 8.3 percent
10 per year over the past five (5) years."

11 For example, are there any statements like
12 that anywhere through the document which are inaccurate
13 and need correction?

14 MR. VINCE WARDEN: Not to my knowledge,
15 no.

16 MR. ANTOINE HACAULT: Second question.
17 Are you able to advise for what time period this
18 directive continues to be applicable?

19 MR. VINCE WARDEN: It is applicable until
20 further notice, and that further notice hasn't been
21 communicated, so it's still in effect.

22 MR. ANTOINE HACAULT: Thank you. Could
23 you now turn to Tab 28 of our book of documents at page
24 167. This is PUB/MH Round 2 64. It changes the subject
25 a bit on capital expenditures. I'm referencing the panel

1 to the first line, and I'm quoting:

2 "In the course of preparing of CEF-09,
3 Manitoba Hydro established direction
4 that the overall capital spending
5 should not vary substantially from the
6 amount approved in CEF-08."

7 Is there a written direction that has
8 issued in the Corporation confirming this answer?

9

10 (BRIEF PAUSE)

11

12 MR. VINCE WARDEN: No, Mr. Hacault, we're
13 not aware of any specific directive that speaks to this.
14 It would be just part of the process, the target-setting
15 process that we go through on an annual basis.

16 MR. ANTOINE HACAULT: Under whose
17 authority would this direction have been given, then, if
18 it's not in writing?

19 MR. VINCE WARDEN: Well, there is a
20 fairly extensive communication process that takes place
21 every year with respect to setting targets. A lot of it
22 is informal by way of meetings and such that may start
23 with the executive committee to the vice-presidents, the
24 vice-presidents to the division managers, division
25 managers to department managers. That sort of -- that

1 sort of communication takes places on a frequent basis,
2 so that's what we're referring to here.

3 MR. ANTOINE HACAULT: Next, then, for
4 what time period is this directive applicable?

5 MR. VINCE WARDEN: Well, this -- this
6 reference, as indicated in the first sentence, pertains
7 to Capital Expenditure Forecast 2009, so this would have
8 been applicable to the '09 target-setting process for
9 capital.

10 MR. ANTOINE HACAULT: It's not like Mr.
11 Brennan's memo, it doesn't continue to be applicable
12 unter -- until further notice?

13 MR. VINCE WARDEN: No, because the
14 target-setting process for CEF -- the -- the capital
15 expenditure forecast, the integrated financial forecast
16 is annual, so it's updated annually, unless there's a rea
17 -- a reason to update the forecast on an interim basis.

18 MR. ANTOINE HACAULT: Could you turn to
19 Tab 29? Now, this is a table which was prepared based on
20 the filing information. Manitoba Hydro's had this book
21 for some time.

22 Are there any errors that Manitoba Hydro
23 has discovered in the transcription of numbers from
24 Manitoba Hydro's documents to this table?

25 MR. DARREN RAINKIE: Good morning, Mr.

1 Hacaault. I did have an opportunity to look at it over
2 the last week, I think it was, and I think it ties in
3 with the numbers that are presented in the various CEF
4 documents that are listed here. I didn't have any
5 corrections.

6 MR. ANTOINE HACAULT: Thank you.

7 MR. DARREN RAINKIE: Of course, I have
8 perspectives on it, but I didn't have any corrections.

9

10 (BRIEF PAUSE)

11

12 MR. ANTOINE HACAULT: Just quickly, am I
13 correct in understanding, for example, on this table
14 there's reference to different CEFs. The CEF-10, that is
15 dated in November of 2010?

16 MR. DARREN RAINKIE: That's correct.
17 That's our most recent capital expenditure forecast.

18 MR. ANTOINE HACAULT: And CEF-09 would be
19 November of '09, so that's basically one (1) year into
20 the recession?

21

22 (BRIEF PAUSE)

23

24 MR. DARREN RAINKIE: I -- I suppose that's
25 correct. I -- I'm not sure you can pinpoint when the

1 recession happened, or when it started, or if it even
2 happened in Manitoba, but -- but accepting that things in
3 the marketplace went a little astray in 2008, yeah, I'll
4 go with you on that one (1).

5 MR. ANTOINE HACAULT: Whoo-hoo.

6

7 (BRIEF PAUSE)

8

9 MR. ROBERT MAYER: What -- what happened
10 to our estimates of how much power people were going to
11 be using over the last little while? We didn't feel any
12 of the effects of the recession, and you're asking us in
13 this hearing to forgive a bunch of customers some money
14 for -- because they were being hurt by the -- by the
15 recession.

16 MR. DARREN RAINKIE: That's no doubt the
17 case, Mr. Vice-Chair. I was just making an observation
18 that we've had some very -- very general questions about
19 the recession, and -- and they have not been very --
20 they've been fairly anecdotal, and not very specific. So
21 I'm not sure as a witness how to respond to those very
22 general questions, at some -- certain points.

23

24 CONTINUED BY MR. ANTOINE HACAULT:

25 MR. ANTOINE HACAULT: Move on to, at Tab

1 31, which is an extract from MH/CAC/MSOS (Carter)-7, my
2 questions don't directly relate to that text but are
3 collateral to the issue of low-income programs.

4 My question is with respect to delinquent
5 ratepayers, does Manitoba Hydro firstly track whether
6 those delinquent ratepayers fall into particular
7 categories? For example, residential, agricultural, and
8 small business?

9 MR. LLOYD KUCZEK: We -- we know if the
10 customers fall into different rate -- rate classes, so we
11 know if they're residential/commercial. We'd know, yes.

12 MR. ANTOINE HACAULT: A second question
13 is, within those categories, does Manitoba Hydro track
14 the gross earnings, for example, of residential customers
15 who default?

16 MR. LLOYD KUCZEK: No, we don't have that
17 information.

18 MR. ANTOINE HACAULT: What about with
19 respect to the other categories which I've identified,
20 agricultural or small business? Do you track the gross
21 revenue or earnings of delinquent accounts with respect
22 to those types of ratepayers?

23 MR. LLOYD KUCZEK: We don't -- we don't
24 have income from any of our customers.

25 MR. ANTOINE HACAULT: Am I correct in

1 understanding that Manitoba Hydro doesn't spend money or
2 pursue collection efforts unless it believes it's cost
3 efficient to do so?

4 MR. LLOYD KUCZEK: That's the general
5 principle that we follow.

6 MR. ANTOINE HACAULT: Lastly, would you
7 be able to provide me with some information as to how
8 Hydro charges are paid and remitted to Manitoba Hydro
9 with respect to the people who might be forced to live on
10 social assistance?

11 MR. LLOYD KUCZEK: For those that are on
12 social assistance, my understanding is the electric
13 utility bills are paid one (1) of two (2) ways. One (1)
14 is directly by the social agency. And the other is
15 through the customers themselves, and that's via payments
16 that the social assistant agencies provide, or dollars
17 provided from the social assistant agencies to the
18 customers, and they're responsible for the bills.

19

20 (BRIEF PAUSE)

21

22 MR. ANTOINE HACAULT: Am I correct in
23 understanding then it's basically an in and out -- if
24 their Hydro bill in a month is two hundred dollars (\$200)
25 say, for example, they would receive either -- Hydro

1 would receive either directly from the agency, or the
2 agency through the client, the payment of that two
3 hundred dollars (\$200).

4 MR. LLOYD KUCZEK: Well, if -- if they're
5 on direct payment the bills would go to the social -- soc
6 -- social agency who would pay us directly. If they go
7 to the customer, the soc -- social agency has a method
8 whereby they determine what is reasonable dollar amounts
9 that they provide for various basic needs, one (1) of
10 them being energy.

11 And, as I understand it, they look at the
12 energy bills for the particular facility or residence
13 that they're living in and they determine a value based
14 on historical information.

15 MR. ANTOINE HACAULT: Thank you. Next
16 I'm moving to the demand billing issue, Tab 44,
17 specifically, page 231 in our book of documents at Tab
18 44. So Tab 44, page 231.

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

20 MR. ANTOINE HACAULT: Okay. Under the
21 tables on that page there's a paragraph that begins with
22 the word "note:".

23 Could you please explain whether or not
24 the customers that applied for and benefited from this
25 distressed industry billing demand program continued to

1 pay their energy charges?

2 MR. ROBIN WIENS: Yes, they did.

3 MR. ANTOINE HACAULT: And I'm -- am I
4 correct in understanding that there's been no relief with
5 respect to the energy portion of the charges?

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

7 MR. ANTOINE HACAULT: Okay. And the
8 second sentence in that paragraph then explains:

9 "The intent of the program was to
10 mitigate the impact of the 'fixed
11 demand charges' during periods of
12 production curtailment, thereby
13 decreasing the average unit of -- unit
14 cost of energy."

15 Is that correct?

16 MR. ROBIN WIENS: That's correct.

17 MR. ANTOINE HACAULT: Now, if we flip to
18 Tab 47 of the book of documents there is extracted
19 MIPUG/MH Round 1-21 question and answer. I direct your
20 attention firstly to page 239 in the book of documents.
21 So Tab 47, page 239. There's a table there entitled,
22 "GSM-All." Have you located that?

23 MR. ROBIN WIENS: Yes.

24 MR. ANTOINE HACAULT: Could you describe
25 what that table's intended to help us understand?

1 MR. ROBIN WIENS: This table is intended
2 to provide, as I understand it, an example for all the
3 classes of customers that are affected or were eligible
4 to participate in this demand concession. And it simply
5 shows -- well, perhaps not so simply, shows the how --
6 how the -- how the calculation of the concession worked.

7 So what is calculated here, if you go
8 right to the bottom, what we're looking at for this
9 customer group, which is General Service Medium - All,
10 there is a twenty-four (24) month average, which is the
11 average unit energy, dollars per kilowatt hour.

12 MR. ANTOINE HACAULT: So we see that,
13 just to break it up, on the top of the table, a little
14 bit to the right of the centre there's the heading,
15 "Average Unit," and then in parentheses, "Dollars per
16 Kilowatt Hour."

17 That's the column you're looking at, Mr.
18 Wiens?

19 MR. ROBIN WIENS: No, I'm sorry, I'm
20 going to take you to the very bottom of the table where
21 it is calculated the twenty-four (24) month average
22 energy cost all in, where we -- we calculate the recorded
23 demand, the billing demand, the load factor, we get the
24 revenue, and then, in the second to last column, we get
25 the average unit energy costs, which is the total revenue

1 from demand and energy charges divided by the total
2 energy. And you'll see that number is -- is four point
3 four nine four (4.494) cents per kilowatt hour.

4 MR. ANTOINE HACAULT: Yes, I see that.

5 MR. ROBIN WIENS: And then we add the 10
6 percent to come up with the deferral threshold or -- or
7 where we're capping the unit cost, which is the total
8 bill of the customer from all demand and energy charges
9 at four point nine four three (4.943) cents. And then,
10 if I can take you now back up to the -- to the top six
11 (6) or so rows on the column, which run from June of 2009
12 to November 2009. What we're doing here is we -- we go
13 through and we take the energy consumed and -- and just
14 to -- to lead us through this, I'll go with November
15 2009, which is the first row.

16 MR. ANTOINE HACAULT: Yes, please do
17 that.

18 MR. ROBIN WIENS: We see the energy
19 consumed at 14 million roughly kilowatt hours. We see
20 the recorded demand at 36,000 kVA, the billing demand at
21 the same. We have a load factor, and then we have the
22 revenue at the 2009 approved rates. And then we see the
23 average unit energy cost is five point o two nine (5.029)
24 cents per kilowatt hour. We see the threshold of four
25 point nine four three (4.943) cents per kilowatt hour.

1 The difference between those two (2),
2 multiplied by the energy, the total energy, is the amount
3 of the concession which we see at the end of the -- or
4 the second-last column in the row, twelve thousand one
5 hundred and fourteen dollars and two cents (\$12,114.02),
6 which, if divided by the demand charge, yields the
7 estimated demand deferral kVA in the next column to the
8 left of 1,453 kVA.

9 MR. ANTOINE HACAULT: Thank you. And am
10 I correct in recalling that the program was from June to
11 November, that's why we show those months at the top of
12 the table?

13 MR. ROBIN WIENS: That is correct.

14 MR. ANTOINE HACAULT: And therefore, if
15 we look at the top of the table under "Average Unit
16 Energy," we see that there's a couple of months where
17 it's in the five (5) cent range, and then September is in
18 the six (6) cent range, and then July and August are
19 somewhat higher. They're not too far from the fifteen
20 (15) cent range. Is that correct?

21 MR. ROBIN WIENS: Yes, that's correct,
22 and -- and that is the average unit energy cost that was
23 calculated for these months in this example.

24 MR. ANTOINE HACAULT: Okay. And we see
25 that -- am I right in saying that we see that these

1 customers -- in some of the previous months, we had
2 talked about late '08 perhaps being the start at least on
3 some measures of a recession. If we look in December of
4 '08, under "Average Unit Energy Costs," am I correct in
5 understanding that for this general class we were very
6 close to eight (8) cents per kilowatt hour? It's zero
7 point seven nine four two (0.7942)?

8

9

(BRIEF PAUSE)

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MR. ROBIN WIENS: These are not actual data for the class. These are -- this is set up as an example to show how the calculation would work. So it's simply setting up a -- a -- a series of months to show how the calculation was done, so that's not necessarily implying, if you're looking at December of 2009 where we get up to a unit cost of seven and a half (7 1/2) cents, that that necessarily implies that that's what was happening to the whole class or to -- or to even a -- a - - a substantial number of customers in the class.

It -- it is indicative, though -- as we look through some of this data, it's indicative that a cus -- an individual customer, or a class, which show a variety of experiences, that even if you get a high average unit cost in one (1) month may be part of what

1 happens typically. In this case, you may be looking at a
2 customer opted to shut down the facility for two (2)
3 weeks during December in order to do maintenance or for
4 general Christmas holiday. So it -- it was part of the
5 normal experience. The twenty-four (24) months prior to
6 was intended to capture the -- the range of experiences
7 and come up with an average.

8 MR. ANTOINE HACAULT: Would you agree
9 with me on a quick review that in the twenty-four (24)
10 month test average though we don't see numbers anywhere
11 near the eight (8) cent range?

12 MR. ROBIN WIENS: I would agree with
13 that.

14

15 (BRIEF PAUSE)

16

17 MR. ANTOINE HACAULT: I'd like to thank
18 the Chair, the Vice-Chair, and all the witnesses for
19 being patient with me. I have completed my questions,
20 subject to any other questions that might arise out of
21 the undertakings.

22 THE CHAIRPERSON: Thank you, sir. Mr.
23 Peters, we're still awaiting the arrival of Mr. Gange,
24 correct?

25 MR. BOB PETERS: Yes, and in fairness to

1 Mr. Gange, the delay that I'm going to ask the Board to
2 take is -- it's on me. I had expected that we may be
3 until 10:30 this morning, and that was just my estimate.
4 And I indicated to Mr. Gange, who is preoccupied on a
5 matter this morning, that he wouldn't be on the
6 microphone until 10:30.

7 So if the Board could stand down until
8 then, I think that would afford him the opportunity.

9 THE CHAIRPERSON: Yeah. We'll take the
10 morning break now then, and --

11 MR. BOB PETERS: Thank --

12 THE CHAIRPERSON: -- we'll -- when --

13 MR. BOB PETERS: -- thank you.

14 THE CHAIRPERSON: -- he comes back we'll
15 just go straight through to the -- to lunch.

16 MR. ANTOINE HACAULT: It's unfair that
17 Mr. Peters is taking the blame on this. I, quite
18 frankly, wasn't sure how long it was going to take this
19 morning, based on yesterday. One (1) question had lasted
20 ten (10) minutes, so I had, out of an abundance of
21 caution, said I might take an hour.

22 THE CHAIRPERSON: There's no problem.
23 We'll see you back at 10:30.

24

25 --- Upon recessing at 10:00 a.m.

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

2

3 THE CHAIRPERSON: Okay. Welcome back,
4 everyone. Mr. Gange...?

5 MR. WILLIAM GANGE: Thank you, Mr. Chair.
6 As -- starting out, I would like to have a list of
7 questions, which are perhaps improperly marked pre-asks,
8 as RCMP (sic) Exhibit number 10. RCM/TREE. And -- and
9 then a book of documents which would be RCM/TREE number
10 11.

11 THE CHAIRPERSON: Very good.

12

13 --- EXHIBIT NO. RCM/TREE-10: List of Questions

14

15 --- EXHIBIT NO. RCM/TREE-11: Book of Documents

16

17 CROSS-EXAMINATION BY MR. WILLIAM GANGE:

18 MR. WILLIAM GANGE: To the panel
19 generally, I -- I apologize that we got these -- this
20 material to you so late, but it's the way that things
21 roll sometimes.

22 With respect to what I've entitled
23 RCM/TREE number 10, Ms. Murphy, I -- I appreciate that a
24 number of these questions will have to be taken by way of
25 undertaking, and -- and that suits our purpose quite

1 well. So if I could go through them though to see if the
2 panel can answer any of them. Mr. Wiens, Mr. Kuczek, I
3 think that I'm going to be dealing with you two (2)
4 primarily, and -- and then for those questions that can't
5 be answered perhaps somebody else can join in.

6 The -- the first question on the pre-ask
7 list was an updating of RCM/TREE's inter -- IR request
8 from the 2008/'09/'10 GRA, which was to please update the
9 response of the table that had been prepared for carbon
10 dioxide emissions.

11 Mr. Wiens, would that be something within
12 your jurisdiction or -- or Mr. Kuczek's?

13 MR. LLOYD KUCZEK: I -- I usually obtain
14 this information, it's actually from another department
15 within our company, but the information that was provided
16 then is the current.

17 MR. WILLIAM GANGE: It -- it's still
18 current. So there's no -- no further information that --
19 that you're able to provide to us?

20 MR. LLOYD KUCZEK: Yeah, there's no
21 changes to our estimates.

22 MR. WILLIAM GANGE: Okay. Thank you.
23 With respect to the second question, this was the fuel-
24 switching report, Mr. Kuczek, and --

25 MR. LLOYD KUCZEK: There's a second part

1 to that.

2 MR. WILLIAM GANGE: Oh, I -- I'm sorry,
3 the second part of -- of question number 1 was:

4 "To recalculate the response assuming
5 exported electricity displaces power
6 generated by combined-cycle gas turbine
7 generation in the United States."

8 Mr. Kuczek, is that something that could
9 be undertaken?

10 MR. LLOYD KUCZEK: We'll undertake to
11 get that.

12 MR. WILLIAM GANGE: Thank you.

13

14 --- UNDERTAKING NO. 125: Manitoba Hydro to recalculate
15 the response assuming
16 exported electricity
17 displaces power generated by
18 combined-cycle gas turbine
19 generation in the United
20 States

21

22 CONTINUED BY MR. WILLIAM GANGE:

23 MR. WILLIAM GANGE: Question 2 had to do
24 with the fuel-switching report. Dr. Miller and I are
25 aware that -- that there's been a number of -- or there's

1 been significant work on this issue but no report has
2 been issued. Is it possible for you to provide the most
3 draft -- the most recent draft response to Directive 17?

4 MR. LLOYD KUCZEK: Well, I think this
5 came up -- well, I know it came up during the first day
6 of the hearings, and Mr. Warden responded, saying that --
7 that we're planning to take this to the Board, and then
8 we'll submit the report to the Public Utility Board at
9 that time. So we do have a report and we are planning to
10 take it to the Board during the May Board meeting.

11 There's no longer a draft at this point
12 unless further changes are required.

13 MR. WILLIAM GANGE: I take it from that
14 then that -- that if that Board meeting is -- is May --
15 May --

16 MR. LLOYD KUCZEK: The third week in May.
17 Maybe May 19th, if I'm right.

18 MR. WILLIAM GANGE: Somewhere around
19 there. Okay. That that -- that that -- on the
20 assumption that it's approved by the Board at that time
21 we'll be able to see that report prior to the conclusion
22 of this hearing?

23 MR. LLOYD KUCZEK: It -- it appears you
24 will see it before the end of this hearing, yes.

25 MR. ROBERT MAYER: At the rate we're

1 going, that's a pretty safe bet.

2 MR. LLOYD KUCZEK: Well, we might have
3 update it to the 2012 load forecast though.

4

5 CONTINUED BY MR. WILLIAM GANGE:

6 MR. WILLIAM GANGE: The third one is also
7 directed towards you, Mr. Ku -- Mr. Kuczek, and asking
8 how many households in LICO-100 and LICO-125 received
9 direct energy bill payments from the provincial
10 government. Do you have that information or do you need
11 that by way of undertaking?

12 MR. LLOYD KUCZEK: We don't readily have
13 that information available.

14 MR. WILLIAM GANGE: And I take it that
15 that's the same answer for 'B' and 'C'?

16 MR. LLOYD KUCZEK: Correct.

17 MR. WILLIAM GANGE: And -- and when --
18 when you say, sir, that you don't have it readily
19 available, is -- is that because the information that you
20 seek from -- well, either from the provincial government
21 or from the households in question does not -- does not
22 request this kind of information?

23 MR. LLOYD KUCZEK: Well, there's a couple
24 issues. The -- in our database we would have a code that
25 would tell us whether or not the bills are being paid

1 from the social agency. We would have to write a program
2 probably to do that, to extract that information, and --
3 and that would provide us at least with the number of
4 customers that are getting paid directly from the social
5 agency.

6 We couldn't distinguish whether -- we
7 couldn't provide information from bulk-metered
8 facilities. There's a number of units with the Manitoba
9 Housing Authority that we couldn't provide specific
10 information either because it's bulk-metered.

11

12 (BRIEF PAUSE)

13

14 MR. WILLIAM GANGE: Is it possible, sir,
15 to break it down between the bulk-metered and -- and the
16 non bulk-metered? Is -- is that information readily
17 available?

18 MR. LLOYD KUCZEK: None of it's really
19 readily available. We can try to get you some
20 information. The concern I have right now is our load
21 forecasting staff go into this mode where I almost put a
22 moratorium on any request that go to that department,
23 otherwise it delays the forecast. They get into this
24 crunch period of developing the electric and the natural
25 gas forecast, and there's very little time that they have

1 to take on extra work during a two (2) or three (3) month
2 period. So we're very careful in assigning extra work to
3 this group during that period.

4 MR. WILLIAM GANGE: But would that
5 question of the -- the -- the breakdown between bulk-
6 metered and non bulk-metered require significant
7 involvement of time?

8 MR. LLOYD KUCZEK: I would have to ask my
9 staff to see how long it would take them to draw -- write
10 up a -- a program to extract that information out of our
11 database.

12 MR. WILLIAM GANGE: If it's possible, Mr.
13 Kuczek, could you just find out that information for us
14 and -- and advise us?

15 MR. LLOYD KUCZEK: Yes, or I can --

16 MR. WILLIAM GANGE: No -- when I say
17 "this information," I'm not asking -- I'm following up on
18 -- on your comment that you could ask your staff whether
19 that's possible.

20 MR. LLOYD KUCZEK: Yes, I'll talk to my
21 staff and see what they can provide in -- in terms of
22 both your question's components here -- 'a', 'b', and 'c'
23 -- three (3) -- all -- all of them, and if it's not a lot
24 of work, I would undertake to provide that.

25 MR. WILLIAM GANGE: So the undertaking

1 is, Mr. Kuczek, in -- in response to Exhibit RCM/TREE
2 Exhibit number 10, question 3, for you to respond to --
3 to -- to provide information that you can with respect to
4 'a', 'b', and 'c'.

5 MR. LLOYD KUCZEK: With the proviso that
6 it's not too much work for them at this point.

7 MR. WILLIAM GANGE: Yes, that's fine.

8

9 --- UNDERTAKING NO. 126: Manitoba Hydro, in response
10 to question 3 of RCM/TREE
11 Exhibit number 10, to provide
12 information with respect to
13 'a', 'b', and 'c', with the
14 proviso that it is not too
15 much work for the staff at
16 this point.

17

18 CONTINUED BY MR. WILLIAM GANGE:

19 MR. WILLIAM GANGE: Question 4 asks
20 whether the bill payment coverage of direct energy bill
21 payments -- how -- how it comes from the provincial
22 government and -- and b) whether it's a proportionate
23 payment.

24 MR. LLOYD KUCZEK: It's 100 percent
25 payment. And the question asked: What -- what is the

1 bill coverage? Yes, 100 percent, so that answers 'b' as
2 well.

3 MR. WILLIAM GANGE: Thank you. The --
4 the next question -- question 5 -- was: Does Manitoba
5 Hydro have statistics of the home energy burden of
6 households receiving direct bill payments from the
7 provincial government?

8 MR. LLOYD KUCZEK: No, we do not.
9 Generally speaking, the energy burden for those customers
10 -- there wouldn't be any because the social agency is
11 paying all of their energy bills. So there is no energy
12 burden, per se, for those customers.

13 MR. WILLIAM GANGE: Question 6(a) asked
14 whether -- whether studies have been undertaken by
15 Manitoba Hydro to examine the impact on consumption for
16 households receiving direct bill payments from the
17 provincial government. Have there been any?

18 MR. LLOYD KUCZEK: We have not undertaken
19 any, no.

20 MR. WILLIAM GANGE: And -- and I take it
21 then, sir, that -- that there's -- there's obviously no
22 empirical evidence that usage has gone up when households
23 receive direct bill payments.

24 MR. LLOYD KUCZEK: That's correct.

25

1 (BRIEF PAUSE)

2

3 MR. WILLIAM GANGE: Mr. Wiens, question 7
4 asked if -- if it would be possible to provide a seasonal
5 residential bill frequent -- frequency analysis, breaking
6 it down between winter and summer. Is that possible?

7 MR. ROBIN WIENS: It's certainly
8 possible. It's a question of how long it's going to
9 take. We've requested that our staff look at this and
10 give us an indication of how long it will take.

11 MR. WILLIAM GANGE: And you'll undertake
12 to -- to respond in -- in the way -- in the fashion that
13 you have?

14 MR. ROBIN WIENS: Yes.

15 MR. WILLIAM GANGE: Thank you, sir.

16

17 --- UNDERTAKING NO. 127: Manitoba Hydro to provide a
18 seasonal residential bill
19 frequency analysis, breaking
20 it down between winter and
21 summer.

22

23 CONTINUED BY MR. WILLIAM GANGE:

24 MR. WILLIAM GANGE: Question 8 clearly is
25 -- is an undertaking type of question, and so if I can

1 leave that one with you.

2 The -- the -- I'll tell you the background
3 to this, Mr. Wiens. Mr. Chernick and Ms. Geller at
4 Resource Insight, who, as you are aware, are -- are our
5 consultants on -- on -- on reviewing these things, advise
6 that given the -- the approach that's taken with respect
7 to the non-provision of the Excel spreadsheets and -- and
8 -- and, therefore, the use of the PDF data, that -- that
9 -- that they find it impossible to run these kinds of --
10 of analyses.

11 And so, hence, putting this onto your
12 shoulders -- but -- but could -- could I have an
13 undertaking that question 8 will be answered -- question
14 8, 9 -- well, I -- I would expect, sir, that right from
15 eight (8) to thirteen (13) need be an undertaking.

16 MR. ROBIN WIENS: Again, we've requested
17 that our staff take a look at these and give us an
18 indication of how long it would take to provide that
19 information, and we'll undo -- endeavour to do our best
20 to get it.

21

22 --- UNDERTAKING NO. 128: Manitoba Hydro to provide
23 responses to questions 8
24 through 13 of RCM/TREE
25 Exhibit number 10

1

2 CONTINUED BY MR. WILLIAM GANGE:

3 MR. WILLIAM GANGE: Thank you, Mr. Wiens,
4 appreciate that.

5 With respect to Mr. Chernick's evidence,
6 sir, he made a number of criticisms of the cost of
7 service methodology that he set out in his evidence. And
8 my understanding, sir, from -- from the rebuttal evidence
9 is that, as set out in Appendix 60, Hydro has sought an
10 external review of the cost of service study.

11 That would be accurate, sir?

12 MR. ROBIN WIENS: That is correct.

13 MR. WILLIAM GANGE: Has the external
14 review been let out?

15 MR. ROBIN WIENS: Yes, it has.

16 MR. WILLIAM GANGE: Who is undertaking
17 it?

18 MR. ROBIN WIENS: It's a consulting
19 organization called Christensen Associates, headquartered
20 in Madison, Wisconsin.

21 MR. WILLIAM GANGE: Okay. Do -- do you
22 have a current estimate, sir, of when you expect the --
23 the review to be completed?

24 MR. ROBIN WIENS: I'm going to say some
25 time this summer is when we -- is our most likely date to

1 have it completed.

2 MR. WILLIAM GANGE: So barring the
3 unexpected, which we've come to expect in this hearing,
4 probably not until we've concluded the evidence stage of
5 -- of this hearing?

6 MR. ROBIN WIENS: I would say there's a -
7 - probably an excellent possibly of that, yes.

8 MR. WILLIAM GANGE: Yes. And -- and have
9 -- have they already commenced their review, Mr. Wiens?

10 MR. ROBIN WIENS: Yes, they have.

11 MR. WILLIAM GANGE: Has Mr. Chernick's
12 analysis in this hearing, and also in the last GRA
13 hearing, his commentary on the cost of service, has that
14 been provided to the external consultant?

15

16 (BRIEF PAUSE)

17

18 MR. ROBIN WIENS: Mr. Gange, we've
19 provided them with a lot of documents that flow from the
20 previous discussions on cost of service before this
21 Board. I can't say with certainty that his previous
22 testimony was provided. I can say for sure that his
23 testimony in this current proceeding was provided and I -
24 - we've requested them to review it.

25 MR. WILLIAM GANGE: And now that I've

1 raised that point, and I appreciate that you probably
2 have given them a substantial load of material, could --
3 could I ask, sir, that -- that you undertake that your
4 staff ensure that Mr. Chernick's commentary from the last
5 GRA also be provided for their consideration?

6 MR. ROBIN WIENS: Mr. Gange, I'm pretty
7 sure that it would have been provided already, but we'll
8 check that and make sure that if it hasn't been, that it
9 will be.

10 MR. WILLIAM GANGE: Thank you, sir.

11

12 --- UNDERTAKING NO. 129: Manitoba Hydro to provide Mr.
13 Chernick's commentary from
14 the last GRA to the external
15 consultants, if it has not
16 already been provided

17

18 CONTINUED BY MR. WILLIAM GANGE:

19 MR. WILLIAM GANGE: In -- in terms of the
20 criticisms, or the commentary that Mr. Chernick made,
21 sir, the -- the rebuttal evidence has -- has basically
22 taken the position that because there is this external
23 review that's being undertaken right now, no commentary
24 has been made with respect to the -- the comments that
25 Mr. Chernick made.

1 And -- and I take it that's -- that that
2 my analysis of that is -- is correct, that is, that
3 you're awaiting the external review.

4 MR. ROBIN WIENS: To the best of my
5 recollection, Mr. Gange, and we've -- we've filed that
6 rebuttal evidence a few months ago --

7 MR. WILLIAM GANGE: Yes, you did.

8 MR. ROBIN WIENS: -- but to the best of
9 my recollection, that's true.

10 MR. WILLIAM GANGE: There are, however, a
11 couple of things that Mr. Chernick raised that I -- I
12 just wonder if I can bounce off you, conceptually, to see
13 whether -- whether, at this point, you take issue with
14 the -- the disagreements that he had with the current
15 cost of service methodology. And -- and if, sir, you're
16 not in a position to -- to respond, that's fair, but --
17 but if I can just start with that.

18 MR. ROBIN WIENS: We can have that
19 discussion.

20 MR. WILLIAM GANGE: Good. Thank you. On
21 page 11 of Mr. Chernick's testimony, he talked about the
22 non-coincident peak demands and -- and his comment -- it
23 was page 11, and he goes through from about lines 4 to
24 13, Mr. Wiens, and he -- he says that, in -- in -- from
25 his perspective, that the no -- that the class non-

1 coincident peak is appropriate only for allocating
2 specific sub-transmission lines that serve customers from
3 a single rate class.

4 Again, on a conceptual basis only, is that
5 something that you disagree with in Mr. Chernick's
6 testimony?

7

8 (BRIEF PAUSE)

9

10 MR. ROBIN WIENS: Mr. Gange, I -- I'm not
11 going to take strong exception to it. I -- I will say
12 this: that this is not an uncommon prac -- what Manitoba
13 Hydro does with respect to sub-transmission. In my
14 recollection, it is not an uncommon practice. I think
15 the question of -- of -- that Mr. Chernick has raised is
16 something that's worth investigating, so I won't -- I
17 won't take a strong exception to it right now.

18 MR. WILLIAM GANGE: Thank you. At page -
19 - at pages 21 -- starting on 21 but then going on to page
20 22 of Mr. Chernick's testimony, Mr. Chernick made a
21 number of suggestions in terms of changes to the cost of
22 service methodology. So really it's on page 22 of Mr.
23 Chernick's testimony that -- that I just want to run a
24 couple of things past you, Mr. Wiens.

25 MR. ROBIN WIENS: Yes.

1 MR. WILLIAM GANGE: The first one was
2 that he was recommending -- again, we're going back to
3 the coincident peak class -- that allocating sub-
4 transmission on the transmission coincident peak
5 allocator adjusted to exclude customers that are served
6 at the transmission level.

7 Again, on a -- on a conceptual basis, does
8 that make sense to you, Mr. Wiens?

9 MR. ROBIN WIENS: Can you provide me the
10 specific --

11 MR. WILLIAM GANGE: Page 22.

12 MR. ROBIN WIENS: -- reference again?

13 MR. WILLIAM GANGE: Page 22. It starts -
14 - he -- he makes the comment at -- at the bottom of page
15 21.

16

17 (BRIEF PAUSE)

18

19 MR. ROBIN WIENS: Mr. Gange, the -- this
20 is the -- the transmission coincident peak allocator D-14
21 that he's referencing, which covers the -- I believe we -
22 - we were looking at the top fifty (50) hours winter and
23 the top fifty (50) hours summer, with equal weighting
24 given to both. That's the allocator.

25 And I guess my only comment would be -- is

1 that the transmission sys -- sub-transmission system
2 within Manitoba, which serves domestic loads, it doesn't
3 serve export loads. And if you were going to apply this
4 type of an allocator based on coincident peak to the sub-
5 transmission system I think you would first want to carry
6 out of an -- an investigation as to whether that specific
7 allocator is the appropriate one or whether it shouldn't
8 be, given the nature of loads throughout much of
9 Manitoba, more heavily weighted toward the winter.

10 MR. WILLIAM GANGE: Thank you. The
11 second -- the second point that Mr. Chernick raised was
12 to allocate substation costs according to the
13 contribution of each class to the most constrained
14 loading of all substations or on a representative sample
15 of substations.

16 Again, sir, on a conceptual basis, is that
17 something that you take issue with Mr. Chernick?

18

19 (BRIEF PAUSE)

20

21 MR. ROBIN WIENS: I would probably want
22 to refresh myself with some of the detailed discussion
23 that Mr. Chernick had on this matter before I give you a
24 substantive comment on this.

25 Right now, as Mr. Chernick's observed, we

1 classified distribution substation costs as a hundred
2 percent demand-related and allocate them on the basis of
3 class non-coincident demand. And he is -- he is, as
4 you've pointed out, saying that it should be estimate the
5 contribution of each class to the constrained loading --
6 the hours when the load on the substation is the highest
7 percentage of its seasonal rating, on each substation or
8 a representative sample of substations. And, I guess,
9 depending on the number of hours that this recommendation
10 applies to, I -- I might be inclined to take exception to
11 it in principle.

12 MR. WILLIAM GANGE: His testimony comes
13 up the first week in June, Mr. Wiens. If -- if there's
14 going to be exception taken to -- to that point would you
15 undertake to advise us of -- of the criticism that
16 Manitoba Hydro has of Mr. Chernick's testimony on this
17 point?

18 MR. ROBIN WIENS: Yes, we can do that.

19 MR. WILLIAM GANGE: Thank you, sir.

20

21 --- UNDERTAKING NO. 130: Manitoba Hydro to advise the
22 Board of the criticism that
23 Manitoba Hydro has of Mr.
24 Chernick's testimony
25 concerning allocating

1 substation costs

2

3 CONTINUED BY MR. WILLIAM GANGE:

4 MR. WILLIAM GANGE: The third point that
5 he raised in -- in that list was to eliminate the
6 allocation of conductors and poles on customer number.
7 And then he has a further discussion in a footnote,
8 number 5, that's at the bottom of that page. But again,
9 sir, if I can ask that same question.

10 Do you take exception, on a conceptual
11 basis, to Mr. Chernick's analysis here?

12 MR. ROBIN WIENS: Yes.

13 MR. WILLIAM GANGE: Okay. And -- and for
14 what reason?

15 MR. ROBIN WIENS: I -- we would be
16 concerned that a demand -- strictly a demand allocator
17 class coincident peak or non-coincident peak would not
18 capture all of the dimensions of what drives costs on the
19 distribution system. We continue to believe that there
20 are costs that relate to serving the customer or serving
21 individual customers.

22 Certainly there are issues related to the
23 density of customers on individual distribution systems.
24 The simple fact is that the -- the more widely dispersed
25 the customer base is, the longer the distribution has to

1 be, regardless of the loads. And so certainly customer
2 density has an impact on what you have to invest in the
3 distribution system. And in the past, the numbers of
4 customers has served for somewhat of a proxy for that.

5 In addition, the -- the classic issue of -
6 - of having to have a minimally-sized distribution system
7 available to serve customers, whether their loads are
8 large or small, I think is still relevant. I -- I
9 understand Mr. Chernick has a number of criticisms with
10 respect to the use of minimum-system or related
11 methodologies.

12 But apart from that, there are issues
13 related to the fact that the number of customers does
14 contribute to the sizing and the need for distribution
15 facilities.

16 So, again, the review that we've requested
17 our consultants to undertake of this matter is going to
18 expand our ability to respond to this. But in the
19 absence of seeing that, I -- I would say that I -- I
20 would have to -- I would want to maintain a default
21 position that, yes, we might object.

22 MR. WILLIAM GANGE: Yes, thank you, and
23 that -- that -- that's very fair in terms of the -- the
24 status that we're in, given the -- the -- the ongoing
25 review.

1 The -- the fourth point was to recognize
2 the effect of high energy use in the allocation of
3 demand-related distribution plant, especially for the
4 summer peaking portions of the systems. Again, sir, is
5 that -- is that criticism by Mr. Chernick one that you
6 take issue with?

7 MR. ROBIN WIENS: Yes.

8 MR. WILLIAM GANGE: And for the reasons -
9 - or if you could state the reasons?

10 MR. ROBIN WIENS: Distribution facilities
11 are typically sized and constructed to deal with the
12 issues that -- that -- discussed just a few moments ago,
13 to -- to meet the demands of the customers and to be able
14 to deal with the situation of customer dispersion and the
15 minimal plant required to serve customers. We don't
16 believe that energy plays a significant role, if any, in
17 making those decision. And again, I'll -- I'll give you
18 the -- the -- the -- the final comment which is that we
19 have asked this to be reviewed as well.

20 MR. WILLIAM GANGE: Thank you. I -- I
21 appreciate that -- that comment, sir.

22 Mr. Wiens, I'm -- I'm going to move on
23 from Mr. Chernick's testimony, or -- or the -- the cost
24 of service criticisms that he's made, but -- but still
25 sticking with Mr. Chernick's testimony.

1 I -- I think it's fair to say that Mr.
2 Chernick has expressed in his testimony a certain
3 frustration with the -- the inability to have access to
4 the Excel spreadsheets. You're aware of that.

5 MR. ROBIN WIENS: Yes.

6 MR. WILLIAM GANGE: And my understanding
7 is, sir, that -- that you're undertaking right now a -- a
8 review of the various positions taken at -- at similar
9 hearings to this one across Canada as to the procedure
10 that is followed by energy suppliers. Is that fair?

11 MR. ROBIN WIENS: Yes, that's fair.
12 We're looking at -- we're trying to determine what is the
13 state of the art in terms of the sharing of -- of live
14 spreadsheets and other files of that nature. And I --
15 you've -- you've seen our rebuttal evidence and you know
16 what our concerns are.

17 MR. WILLIAM GANGE: Yes. Where -- where
18 in the process is that review?

19

20 (BRIEF PAUSE)

21

22 MR. ROBIN WIENS: Manitoba Hydro has
23 administered a survey to the regulators in a number of
24 the jurisdictions in Canada looking at what the state of
25 practice is. I believe that we are currently assembling

1 that information so that we will be able to have a good
2 understanding of the issues that others have encountered
3 and what exactly their practice is.

4 I -- I will say that we still have to
5 review what the impact of the types of practices that are
6 common, including the probably -- the most advanced
7 practices, in terms of our concerns regarding making
8 spreadsheets available.

9 In some cases, Mr. Gange, we don't have an
10 issue today. But we didn't want to create a precedent
11 with some material that might cause us problems with
12 respect to other material. We certainly do intend to
13 come up with a policy and a framework regarding what
14 information that we would be able to make available and
15 what types of safeguards we would be looking for, but in
16 terms of our examination of this, we're probably not
17 quite half way there yet.

18 MR. WILLIAM GANGE: If, sir, that review
19 concludes before the evidentiary part of this hearing
20 winds up, are you prepared to provide an undertaking that
21 -- that you'll share the -- the report that -- that comes
22 out of that review?

23 MR. ROBIN WIENS: We fully intend to have
24 discussions about that at the -- at the time that we've
25 concluded the work. I expect that that will not be

1 before the evidentiary portion of this hearing concludes.

2 MR. WILLIAM GANGE: But if it does, can I
3 push you off that, sir, to say that if it does conclude,
4 are you prepared to undertake to put that on the record
5 by way of an undertaking?

6 MR. ROBIN WIENS: Well, I'm virtually
7 certain that it will not, and if it -- if by some magic
8 it does, I -- I'm not sure that we would be prepared to
9 put it on the record in this proceeding. That's
10 something I'd have to think about.

11 MR. WILLIAM GANGE: Okay. Thank you.
12 Mr. Chernick and Ms. Geller have given to me an example
13 of the difficulties that they've run into by virtue of
14 the use of the PDF documentation. And -- and I -- I take
15 it, sir, though, that it seems obvious to me that it
16 would be -- that -- that everyone would concede that it
17 does become significantly more difficult for Intervenor
18 to reproduce the calculations that are -- are presented
19 in this hearing. Would you agree with that?

20 MR. ROBIN WIENS: Well, I -- you know, I
21 don't know if that would be the case in all
22 circumstances. I think they have said it's caused them
23 some difficulty. I'll accept them at their word.

24 MR. WILLIAM GANGE: I'm just going to run
25 through -- and -- and you're going to have to take this

1 certain -- to a certain degree, on a matter of trust from
2 --that Mr. Chernick wouldn't mislead me in an attempt to
3 mislead the Board. But page 1 of the book of documents,
4 sir, I'm -- I'm going to go through a couple of
5 documents, and -- and I -- and the -- the taking by faith
6 part is because none of us are going to have the time,
7 even in this extended hearing, to go through the
8 calculation that Ms. Geller and Ms. -- Mr. Chernick made.

9 But page 1 is Appendix 79, being the proof
10 of revenue dated November 18th, 2010, for the -- the
11 April 2012 residential rate. So that's -- that's page 1,
12 sir. Page 2 comes from Appendix 10.2, which was the
13 proof of revenue filed 2009 November 30th. Again, for
14 the -- this time for the original proposal. And then
15 page 3 and the next fifteen (15) pages, sir, was your
16 response to MIPUG showing the billing unit data and the
17 adjustment factors that underlie the proof of revenue
18 calculations.

19 All of that's -- I -- I've described those
20 things properly, have I, sir?

21 MR. ROBIN WIENS: Yes, based on my
22 limited ability to review this report, but --

23 MR. WILLIAM GANGE: Yes. Yes. And --
24 and I apologize for that. I wish that -- that I could
25 have had this to you several days ago but that -- that

1 wasn't within the realm of my possibilities, so --

2 MR. ROBIN WIENS: Mr. Gange, we'll work
3 with what we have, and if -- if there are any issues that
4 come up subsequently as a result of closer review of it,
5 we will -- we will let you and the -- the Board and the
6 other parties know.

7 MR. WILLIAM GANGE: Thank you, sir. No,
8 I don't think so. Not yet. For -- for the proof of
9 revenues for -- on -- on page 1, I take it, sir, that the
10 same billing unit data and adjustment factors that --
11 that were disclosed in MIPUG Manitoba Hydro 1-20 were
12 used for both of those proof of revenue statements.

13 That -- that would be fair, would it not
14 be, sir?

15 MR. ROBIN WIENS: I believe so.

16 MR. WILLIAM GANGE: Okay. And in -- in
17 terms of obtaining the proof of revenue calculation, sir,
18 a -- am I right to say that -- that the -- the
19 calculation requires the dollars in basic charge, meaning
20 the forecasted cons --customer months multiplied by the
21 basic charges, as the first part of that formula?

22 MR. ROBIN WIENS: Yes.

23 MR. WILLIAM GANGE: And then adding the
24 forecasted months of service to customers larger than 200
25 amps times the basic charge?

1 MR. ROBIN WIENS: Yes.

2 MR. WILLIAM GANGE: And that the dollars
3 in the first in -- in the first and the second blocks are
4 -- are -- and in the balance, are the kilowatt charge
5 multiplied by the forecasted kilowatt per hour in that
6 block for each block?

7 MR. ROBIN WIENS: Yes.

8 MR. WILLIAM GANGE: And then, finally,
9 sir, you -- you multiply the adjusted -- adjustment
10 factor to the total revenues for each residential sub-
11 class to get the total adjusted revenue?

12 MR. ROBIN WIENS: Yes.

13 MR. WILLIAM GANGE: With respect to the
14 adjustment factor, sir, are those identified anywhere in
15 the filings, that -- that our consultants have
16 overlooked? Because they tell me they -- they don't know
17 what they are.

18 MR. ROBIN WIENS: I'm not aware of
19 anywhere else where they're discussed in the filings.

20 MR. WILLIAM GANGE: Is -- is there --
21 with respect to the adjustment factor, is that something
22 that's confidential, from -- from Hydro's perspective?

23 MR. ROBIN WIENS: That is something that
24 I would have to check, but I -- I -- I could certainly --
25 if -- if you want to get into the discussion of what it

1 is, I'll do my best to try to explain it on the record.

2 MR. WILLIAM GANGE: Okay. Could you,
3 sir? That would be helpful to Mr. Chernick.

4 MR. ROBIN WIENS: The adjustment factor
5 is simply something that is intended to recognize that,
6 even where we get absolutely everything right in terms of
7 the kilowatt hours in each block, the number of billing
8 months, the -- the -- the thirty (30) -- the over 200 amp
9 billing months, that we cannot make it fit exactly with
10 what the revenue was in an actual year, which we test.

11 So the difference is -- the difference --
12 we -- we go back and we test our estimates based on a
13 year that we've actually got actual information for, and
14 to the extent that we get any variance, that variance
15 becomes the adjustment factor.

16 So if you look on your book of documents,
17 on page 4, that's the big number in the top right-hand
18 corner, you can see that for basic residential service,
19 we're pretty well -- when we back-test it, we're pretty
20 well bang on, so we don't adjust it. And the other
21 classes are a little bit smaller -- in fact, a -- a lot
22 smaller -- and we do have some discrepancies.

23 So we simply -- one -- once we -- once we
24 go through the bill frequency data and we estimate the
25 revenue for a future year, we take these adjustment

1 factors and we adjust the revenue based on them.

2 Is that reasonably clear?

3 MR. WILLIAM GANGE: Yes, it is. So -- so
4 I take it, sir, that the adjustment factor going forward
5 is then based on the adjustment factor that you've been
6 able to calculate going backwards.

7 MR. ROBIN WIENS: Correct.

8 MR. WILLIAM GANGE: Is the -- we just
9 went through, before the questions on the adjustment
10 factor, the -- the calculation process.

11 Are -- are those formulas confidential,
12 sir?

13 MR. ROBIN WIENS: The process for --

14 MR. WILLIAM GANGE: Yes.

15 MR. ROBIN WIENS: -- for doing the
16 forecast?

17 MR. WILLIAM GANGE: Yes.

18 MR. ROBIN WIENS: I -- I would have to
19 check. I don't believe so, but I -- I would have to
20 check.

21 MR. WILLIAM GANGE: Cou -- could you and
22 -- and undertake to respond to me on that point?

23

24 (BRIEF PAUSE)

25

1 MR. ROBIN WIENS: Yes, I can do that.

2

3 --- UNDERTAKING NO. 131: Manitoba Hydro to determine
4 and respond as to whether the
5 calculation process for doing
6 the forecast is confidential

7

8 CONTINUED BY MR. WILLIAM GANGE:

9 MR. WILLIAM GANGE: And here's the leap
10 of faith, sir, that I'm going to ask you to bear with me
11 on. When Mr. Chernick and Ms. Geller attempted to
12 recreate, from the information that had been provided,
13 the proof of revenues at page 18 -- I -- I've provided to
14 you, sir, the -- the calculation that Resource Insight
15 Inc. has -- has been able to reproduce, and the
16 conclusion that -- or their reproduction of your numbers
17 shows an error which is 0.05 percent.

18 And so the -- the question is would wo --
19 would you expect that, with the information that you have
20 provided at this hearing, that an Intervenor such as
21 Resource Insight Inc. should be able to reproduce exactly
22 your proof of revenue, or, in your view, is the 0.05
23 percent something that -- that you say, Well, yeah, that
24 makes sense?

25 MR. ROBIN WIENS: Well, you know, I can

1 certainly accept what you're telling me, I think, is that
2 -- that this is a good faith attempt to --

3 MR. WILLIAM GANGE: Yes.

4 MR. ROBIN WIENS: -- reproduce our
5 information. I can certainly accept that. I can tell
6 you, Mr. Gange, if I were to go through and do this and
7 come up with a 0.05 percent discrepancy, I would think I
8 had done pretty well. I don't do these myself. Of
9 course, our staff does them. I wouldn't be able to tell
10 you today, looking at this, what may have accounted for
11 that, whether it happened to be that the adjustment
12 factor was -- had an insufficient level of detail.

13 In other words, I think we have -- just
14 let me quickly refer to it. We have it to three (3)
15 decimal points. And maybe if you took it to four (4)
16 decimal points you would eliminate most of the
17 discrepancy. I -- I can't tell you that that's the case
18 or not. It's certainly one (1) plausible reason.
19 They've come awfully close.

20 MR. WILLIAM GANGE: Ms. Geller says to me
21 that -- that, from her analysis, her conclusion is it's
22 more of -- more than -- than what one would expect from a
23 rounding off error, and -- and especially when she looks
24 at the diesel, which is 0.25 percent, and the seasonal,
25 0.62 percent.

1 She -- she would say to you, Yes, the --
2 the basic charge and the FRWH charge, pretty good, but --
3 but those other two (2) she looks at and says, Well, this
4 -- the -- the problem here is I don't have access to the
5 Excel spreadsheets, and -- and, therefore, I can't do a
6 proper analysis.

7 Would -- and, again, the -- the one-
8 quarter (1/4) of a percentage point on the diesel, she
9 says, is not acceptable for -- to -- to the analysis that
10 she wants to undertake.

11 And -- and again, sir, I -- I just need to
12 know, from your perspective, for the purposes of
13 Intervenors reviewing your -- your costs of service and
14 proof of revenues, in -- in your view is that -- is that
15 adequate?

16 MR. ROBIN WIENS: Well, on the face of
17 it, I -- I would think that they've come pretty close,
18 and that would appear to me to be adequate. But they're
19 -- you're telling me they're saying it's not. I'm -- I'm
20 -- I -- I don't have access to their discussion about why
21 it isn't, so I -- I can't comment more than that.

22 MR. WILLIAM GANGE: Thank you, sir. I'll
23 -- I'll -- that -- that -- that's helpful, and -- and Mr.
24 Chernick can address that issue in June. But thank you
25 for that.

1 The next point, Mr. Wiens, that -- that we
2 raised in the book of documents is at page 19 and
3 following. And -- and the following pages were produced
4 in Appendix 38 of your filing. And the -- the -- in --
5 in attachment number 3, which is found at page 23, sir.

6 MR. ROBIN WIENS: Yes.

7 MR. WILLIAM GANGE: The -- you'll see
8 that it says "Hour Weighted Average Price" down in the
9 right-hand -- the middle of the right-hand page, or the
10 right-hand side of the page -- "Weighted Average Price."

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

12 MR. WILLIAM GANGE: With -- with all of
13 these documents that were produced in Appendix 38, sir,
14 are the weight -- is the weighting calculated on a
15 consistent basis with the costing periods that are
16 specified in attachment 3, page 23?

17

18 (BRIEF PAUSE)

19

20 MR. ROBIN WIENS: When you say "on a
21 consistent basis," that the SEP average inflation-
22 adjusted prices are calculated using the costing periods
23 that are along the bottom left-hand side, fitting the
24 numbers into them, and -- and weigh them? Yes, it is.

25 MR. WILLIAM GANGE: Okay. If you look at

1 attachment 2, sir -- and -- and -- and what I've done on
2 attachment 2, I've only given you page 1 for the sake of
3 -- of -- of -- it -- it was -- the -- the -- all of
4 attachment 2 is thirty-five (35) pages long, but I think
5 that the -- the question is clear from page 1.

6 It would appear from attachment 3, that
7 there is -- that -- that -- that holidays in -- and
8 weekends are set as 100 percent off-peak in attachment 3,
9 or -- or shoulder. Dr. Miller points out that I -- I
10 should have used the word "shoulder."

11 MR. ROBIN WIENS: Holidays and weekends,
12 I believe, are treated as shoulder periods and that's for
13 the period of time from 7 AM to 11 PM and then it's off-
14 peak. In the nighttime hours, 11 PM to 7 AM.

15 MR. WILLIAM GANGE: But then if you look
16 at page 22, being attachment 2, this is on a daily basis,
17 sir, and -- and when we look at that, it would appear
18 that -- that every day, whether it's a weekend or not, is
19 shown on a peak basis.

20 Is there -- is there a reason for that?
21 Shouldn't the -- shouldn't every sixth and seventh day
22 have different numbers in terms of the -- the reference
23 to peak?

24

25

(BRIEF PAUSE)

1 MR. ROBIN WIENS: Mr. Gange, I'm sorry
2 for the delay. We believe we received this information
3 from another area in the Corporation, and what they
4 define as the periods -- it appears that they do define
5 three (3) distinct periods every day. But when we
6 aggregate the information, we aggregate it into the
7 periods that are shown on the bottom left-hand side of
8 page 23 in your book of documents.

9

10 (BRIEF PAUSE)

11

12 MR. ROBIN WIENS: In fact, I'll -- I'll
13 go a little bit further here, Mr. Gange. I don't
14 remember whether April 1st, 2000 was a weekday or a
15 weekend day, but if you look at -- if you look at --
16 excuse me, I may be -- I maybe -- I maybe don't have
17 anything additional to tell you.

18 I would have to check back, and see what
19 precisely these periods refer to but it -- it looks like
20 we may have three (3) eight (8) hour periods every day,
21 but we do aggregate them differently on the other page,
22 and we redefine them.

23 MR. WILLIAM GANGE: If you could, and --
24 and clearly this will take a little bit of a look, sir,
25 and I'm just following up on -- on what you've said,

1 could you undertake to advise whether -- if in fact a --
2 the ma -- the information that's provided in attachment 2
3 is -- is then translated to -- to exclude weekends from
4 the on-peak calculation, which I think is what attachment
5 3 says does happen.

6 MR. ROBIN WIENS: Yes, I believe that
7 does happen, but we could undertake to -- to demonstrate
8 that --

9 MR. WILLIAM GANGE: Perfect. Thank you.

10 MR. ROBIN WIENS: -- to demonstrate the
11 concordance between these two (2) -- page -- page 22 and
12 page 23.

13 MR. WILLIAM GANGE: Thank you, sir.

14

15 --- UNDERTAKING NO. 132: Manitoba Hydro to demonstrate
16 the concordance between page
17 22 and page 23

18

19 CONTINUED BY MR. WILLIAM GANGE:

20 MR. WILLIAM GANGE: I'm going to move on,
21 Mr. Wiens, to the question of inverted rates. And at
22 page 43 and page 44 of Hydro's rebuttal, you talked about
23 Mr. Chernick's evidence for earn -- inverted rates for
24 general service classes. And a couple of preliminary
25 questions on that.

1 We all had -- had -- we all --

2 MR. ROBIN WIENS: We're just -- we're
3 just trying to find that.

4 MR. WILLIAM GANGE: Sure. Oh -- oh, I
5 see. The -- the rebuttal?

6 MR. ROBIN WIENS: Yes.

7 MR. WILLIAM GANGE: Page 43 and 44.

8 MR. ROBIN WIENS: Yes.

9 MR. WILLIAM GANGE: Some time ago, we --
10 we spent a significant amount of time with respect to the
11 energy in -- intensive industrial rate application. And
12 -- and I suspect that -- that you may have advised Mr.
13 Peters during his cross-examination, but if you have, I
14 apologize, and I'm going to ask the same question:

15 Are there plans to file an -- a new
16 application for the energy intus -- intensive industrial
17 rate?

18 MR. ROBIN WIENS: Yes. Manitoba Hydro
19 will file, or intends to at this time, file a new
20 application to deal with the issues that the energy-
21 intensive industrial rate was intended to deal with.

22 MR. WILLIAM GANGE: And from reading the
23 rebuttal, my understanding is that -- that, until the
24 energy in -- intensive industrial rate has been
25 implemented, Hydro takes the position that you cannot

1 implement inverted rates for smaller general-service
2 customers. Is that a fair statement of your position?

3 MR. ROBIN WIENS: Well, I -- I -- I would
4 not want to say "cannot." I suppose a lot of things are
5 possible but would be very difficult. Manitoba Hydro is
6 trying to grapple with these issues as they pertain to
7 the largest industrial customers and would certainly
8 strongly prefer to deal with that before investigating
9 the application of a similar type of rate design or any
10 alternative rate design with respect to smaller
11 customers.

12 MR. WILLIAM GANGE: And -- and I
13 appreciate, sir, that -- that this next series of
14 questions may be somewhat premature, but -- but I'll ask
15 them anyways.

16 Have -- has Manitoba Hydro done any
17 analysis or prepared any preliminary plans and inverted
18 rate designs for smaller general-service customers, sort
19 of in a preliminary fashion?

20 MR. ROBIN WIENS: The answer -- the
21 substantive answer is no. If -- you may recall back a
22 number of years ago that Manitoba Hydro filed some
23 material with respect to both inverted and time-of-use
24 rates, a -- a consultant's study that was done by
25 National Economic Research Associates, NERA, that did

1 deal with the potential for inverted rates for all
2 customer classes, but Manitoba Hydro has not prepared
3 anything subsequent to that time --

4 MR. WILLIAM GANGE: One (1) of the --

5 MR. ROBIN WIENS: -- for the smaller
6 general-service classes.

7 MR. WILLIAM GANGE: Thank you, sir. One
8 (1) of the criticisms of Mr. Chernick's proposal has been
9 that it would be very difficult to set the baseline that
10 -- that he has -- has recommended.

11 Is that -- that -- is that a fair
12 commentary on -- on Hydro's position?

13 MR. ROBIN WIENS: Yes.

14 MR. WILLIAM GANGE: And -- and his -- his
15 idea is that there would be an individual baseline for
16 each individual general-service customer.

17 MR. ROBIN WIENS: That's my recollection,
18 yes.

19 MR. WILLIAM GANGE: Sir, just -- then --
20 then stepping back from that, my understanding is that,
21 as an example, Pacific Gas and Electric in the state of
22 California has a -- a methodology whereby if a customer
23 reduces their usage by 10 percent, something like that --
24 I -- I don't want to pretend to -- to be quoting you the
25 exact numbers, so I'm just -- I'm just saying this --

1 this is the general method. But if a customer were to
2 reduce his or her de -- usage by 10 percent, the company
3 then would reduce the kilowatt charge similarly by 10
4 percent. So that if -- in a very crude fashion, if the
5 kilowatt charge had been ten (10) cents the previous year
6 and -- and the reduction was 10 percent, the kilowatt
7 charge would then be reduced to nine (9) cents for that
8 individual customer.

9 Are you aware of any kind of a program
10 like that?

11 MR. ROBIN WIENS: I'm not aware of that
12 specific one. I am aware that some, not many from my
13 recollection, some utilities have attempted to design a -
14 - an inverted rate for smaller general service customers.
15 I believe there is one (1) in the pacific northwest.
16 That was not based on baselines. That was -- that was an
17 attempt to actually design an inverted rate with the same
18 type of structure as we've talked about for residential
19 customers. The same structure would apply to everybody.

20 I am aware that BC Hydro has designed and
21 is attempting to implement a -- what appears to me, and I
22 -- I have to say I have not studied it in enough detail,
23 but what appears to me to be an extremely complicated
24 inverted rate design for general-service customers using
25 baselines.

1 I -- I suspect they're going to find that
2 very difficult to administer. Baselines create issues.
3 They're -- they -- they create a lot of administrative
4 difficulties trying to -- trying to -- really, to define
5 on a customer-by-customer basis what constitutes
6 normalcy, and then maintaining a database that will deal
7 with that.

8 In our case, we're talking sixty thousand
9 (60,000) or more customers. The challenges are -- I --
10 you know, I probably can't articulate them all well
11 enough, but the challenges are substantial. And while we
12 have -- while we're trying to deal with, you know, how do
13 we deal with these matters for a customer count, right,
14 forty-five (45) customers or fifty (50) customers of the
15 largest industrial and commercial customers, very
16 difficult.

17 So trying to deal with something that is
18 going to deal adequately with -- with sixty thousand
19 (60,000) plus customers would -- would be orders of
20 magnitude more challenging. So I guess, you know, we'd
21 like to learn as we go along. We would like to come to
22 some sort of conclusion and bring it before this Board
23 with respect to general-service large customers, and --
24 and then move on to try to deal with the challenges
25 associated with general-service medium and small

1 customers.

2 MR. WILLIAM GANGE: Thank you, sir. And
3 -- and I appreciate the commentary in terms of your
4 intentions in terms of moving forward. I'm just
5 wondering though, if -- if the scenario that I just
6 outlined with respect to Pacific Gas and Electric is in
7 fact accurate, it -- it strikes me that in order for them
8 to -- to do that with respect to their residential
9 customers, they have to have a baseline in order to
10 establish the -- the 10 percent decrease.

11 MR. ROBIN WIENS: I think you're meaning
12 their general-service customers?

13 MR. WILLIAM GANGE: Yes, sorry. Sorry,
14 the example that I made is actually -- is -- is
15 residential, it's -- it's residential customers, the
16 example that I provided to you. And -- and the point of
17 the question is that they obviously have a database for
18 millions of customers of -- I think that Pacific Gas and
19 Electric serves millions of people in the state of
20 California, and somehow they have an ability to create a
21 database for their residential customers that allows them
22 to establish a baseline. That -- that would make sense
23 if -- if the scenario that I painted for you is accurate.

24 MR. ROBIN WIENS: Well, I -- as I -- I
25 haven't seen the details of the example that -- that

1 you've offered up, so I can only comment in a very
2 general way. If you're saying that they have done this
3 with residential customers, I -- I don't doubt it. I
4 suspect though that the devil is in the details.

5 I -- I don't think that even a utility the
6 size of Pacific Gas and Electric, I think you referenced,
7 is able to -- is able to deal with -- in -- in anything
8 other but an automated way with setting baselines for
9 residential customers. It's not going to be in a
10 position to -- to have their customers validate the
11 baselines, which is what we would have to be doing for
12 general-service customers. You're going to have a
13 greater degree of homogeneity among residential customers
14 than you're going to have among general-service customers
15 where you can have customers that are in the -- in the --
16 in absolutely the same business operating at very
17 different scales.

18 You're saying that PG&E has found a way to
19 do this with residential customers. I would have to
20 examine that to see, you know, what lessons from there
21 are -- would be applicable to general-service customers.

22 MR. WILLIAM GANGE: Sir, taking that,
23 right now Hydro does have a -- a -- a plan where -- the --
24 - the equal payment billing for -- for residential
25 customers. Correct, sir?

1 MR. ROBIN WIENS: For residential and
2 general-service customers.

3 MR. WILLIAM GANGE: Thank you. So on --
4 I take it then, sir, that -- that that is established by
5 way of information that you have in your database as to
6 what the charges were in the previous year.

7 MR. ROBIN WIENS: Absolutely.

8 MR. WILLIAM GANGE: What other
9 information do you require for that in -- equal payment
10 billing?

11 MR. LLOYD KUCZEK: It's based on that.
12 The only other component, and I'm not sure if we take
13 this into account but I'm pretty sure we do, is the --
14 some sort of weather adjustment. Because the impact to a
15 cust -- a customer's bill can change substantially from
16 year to year due to weather.

17 MR. WILLIAM GANGE: And -- and, Mr.
18 Kuczek, would it -- are -- are you capable then of -- of
19 averaging charges over not just the previous year but
20 several years -- several prior years?

21 MR. LLOYD KUCZEK: You can write a
22 software program to do that.

23 MR. WILLIAM GANGE: And -- and Mr. Wiens,
24 wouldn't that then -- that -- that software program that
25 Mr. Kuczek just referred to, of -- of -- finding out the

1 information over several years, go a long way towards
2 establishing the information that Mr. Chernick suggests
3 would be -- would -- would be the -- the baseline for the
4 general-service inverted rate?

5 MR. ROBIN WIENS: I can't be sure, Mr.
6 Gange, that you would want to or be able to use the same
7 database that is used for equal payments, and to take
8 that and use it for setting rates and designing rates.

9 No doubt that there would be some elements
10 that would be useful, but what you're talking about is,
11 first of all, sorting out all the conceptual issues that
12 you have to deal with and then, because of the number of
13 customers that you have, you've got to sort out -- you've
14 got to prepare software and you've got to prepare a plan
15 to deal with all the procedural issues that you're going
16 to have to deal with.

17 There is not general agreement. For rate
18 design purposes, there is not general agreement, and
19 you're not going to have general agreement among
20 thousands or millions or customers as to what constitutes
21 a baseline.

22 You know, just going with a simple
23 example, we'll use last year's baseline and we'll
24 weather-normalize it, which we do for the equal payments
25 process. There are well-established software, well-

1 established procedural mechanisms for how we deal with
2 those customers on an individual basis, for how you --
3 for the fact that you -- you have to true-up at some
4 point during the year between what actually happened and
5 what was forecast to happen. We'd have to go through and
6 see if those mechanisms -- to what extent might they be
7 applicable to rate design and setting baselines for large
8 numbers of customers, and to what extent they might have
9 to be modified.

10 It's -- I -- I don't believe it's an easy
11 exercise.

12 MR. WILLIAM GANGE: Yes, thank you, Mr.
13 Wiens.

14

15 (BRIEF PAUSE)

16

17 MR. WILLIAM GANGE: I have a couple of
18 questions, panel, with respect to page 25, the risk. So
19 I'm not certain who's -- who would be appropriate for
20 this, but in response to the PUB, Hydro has advised that
21 you are developing a model that uses both historical and
22 Monte Carlo simulation in order to analyze the financial
23 loss associated with drought stress scenarios.

24 Mr. Wallach has asked that if we can find
25 out, when is it expected that the model development will

1 be completed?

2 MS. MARLA BOYD: I think, Mr. Gange, we
3 don't have the appropriate person on the panel here to
4 answer that, and we're close to the lunch break, perhaps
5 we can take that away. I don't know if you have a series
6 of questions that --

7 MR. WILLIAM GANGE: Just a series. Mr.
8 Chair, maybe we could break now. I -- I will -- so that
9 everybody's comfort level will be secure. We will not go
10 longer than three o'clock.

11 THE CHAIRPERSON: Okay. We'll come back
12 at one o'clock.

13 MR. WILLIAM GANGE: Thank you.

14

15 --- Upon recessing at 11:42 a.m.

16 --- Upon resuming at 1:06 p.m.

17

18 THE CHAIRPERSON: Okay. Welcome back,
19 everyone. Mr. Gange, do you need Mr. Warden?

20 MR. WILLIAM GANGE: No, I do not --

21 THE CHAIRPERSON: Okay.

22 MR. WILLIAM GANGE: -- thank you --

23 THE CHAIRPERSON: Please proceed.

24 MR. WILLIAM GANGE: -- Mr. Chair.

25

1 CONTINUED BY MR. WILLIAM GANGE:

2 MR. WILLIAM GANGE: Mr. Surminski, thank
3 you for attending. I won't keep you long. When we
4 broke, I was making reference to the PUB Risk IR number
5 114. And in the response to that, Hydro advised that it
6 was developing a model with respect to drought stress
7 analysis that would use historical and Monte Carlo
8 simulation.

9 Can you advise the Board where things are
10 at with that model development? Are -- are -- is -- has
11 it been completed?

12 MR. HAROLD SURMINSKI: No, certainly, and
13 this is a major undertaking for -- for Manitoba Hydro to
14 develop, to go in this new direction of probabilities and
15 joint probabilities of multiple factors and events. But
16 it is a lot related to the existing PRISM model that we
17 have, so it's -- the PRISM model is more of a prototype
18 right now. We will continue to enhance it to get more
19 confidence with its inputs.

20 A big factor is the -- is the inputs into
21 these models. The -- the cross-correlations or joint
22 probabilities of factors. If you have high prices and --
23 and other factors that combine at the same time, and
24 drought, and -- it's important to have the -- the joint
25 probabilities or the cross-correlations between these

1 factors correct. So a lot of the work will -- will be in
2 that direction.

3 But assessing the probability, I think, of
4 drought events, it -- we also have had some inputs from -
5 - from the KM, from ICF, which have assisted us in -- in
6 maybe assessing, because we had our own idea of
7 probabilities, so we have some information from these
8 outside parties that -- that will also help. So we were
9 in the early stages of putting together the information
10 and a plan for -- for how we develop a joint -- a model
11 for joint probabilities and joint factors.

12 MR. WILLIAM GANGE: You mentioned PRISM
13 in that answer. Is the -- is the -- the model that is
14 referred to in Undertaking PUB 114, is it a refinement to
15 the PRISM model or will it be considered a new model?

16

17 (BRIEF PAUSE)

18

19 MR. HAROLD SURMINSKI: We haven't really
20 made the full determination, but our current thinking is
21 that it is more of a refinement of -- of the PRISM model
22 that we have currently. We have a good starting point,
23 so it's easier to start from that point and -- and
24 explore the -- the space and the possibilities from --
25 from something we have already going, which is -- which

1 is in the right direction. It does have Monte Carlo, it
2 does have uncertainties of multiple factors combined.

3 MR. WILLIAM GANGE: And -- and when you
4 say, sir, that it's in the early stages of development,
5 and given the uncertainties that -- that we all face, but
6 with that boundary, when do you expect that -- that it's
7 going to be in operation?

8

9 (BRIEF PAUSE)

10

11 MR. HAROLD SURMINSKI: Given that, you
12 know, there's uncertainty exactly, the approach, so it --
13 it's not going to be months. We estimate it'll be at
14 least a year before -- before we have something that's --
15 that can be assessed and can be practical for
16 application.

17 MR. WILLIAM GANGE: I take it from that
18 answer, sir, that it -- it is not likely that currently
19 there's any publically available documentation regarding
20 the refinements that ha -- are being made?

21 MR. HAROLD SURMINSKI: Yes, that's
22 correct.

23 MR. WILLIAM GANGE: In Mr. Wallach's
24 testimony, one (1) of the points that he recommended is
25 that -- that the drought risk model ought to be used for

1 long-range resource planning. Is that -- is it the
2 intention -- can you say now whether it is the intention
3 of Manitoba Hydro when the model is -- has been
4 completed, to use it in a manner consistent with Mr.
5 Wallach's recommendation?

6

7

(BRIEF PAUSE)

8

9 MR. HAROLD SURMINSKI: We had some
10 discussion on is this a model that would be used before,
11 because we have our SPLASH, our long-term planning model
12 is our SPLASH model, and it does consider the risk of
13 drought, or at least the consequences of drought as -- as
14 one (1) of the events. So the question is is this model
15 a screening model that's used before we do our long-term
16 simulation planning, or is it a model after the fact. We
17 get a sequence. We get a certain output. And -- and
18 then we analyze the risks of that particular development
19 plan, sequence development plan.

20 And -- and, more so, our thinking is it's
21 the model that -- that's after the analysis, so it's not
22 incorporated. We would not expect the model to be part
23 of that long-term planning type assessment SPLASH. It
24 would be an after-the-fact analysis, you know. Given the
25 consequences that we have coming out of SPLASH, all the

1 possible flows, then we assess the -- the combinations of
2 factors and -- and the probabilities of adverse ev --
3 events, adverse combinations of factors, and adverse
4 consequences. So we would see that model being sort of
5 after the planning as opposed to inherent in it.

6 MR. WILLIAM GANGE: And -- and can you
7 advise me, sir, whether the refinements that you're
8 working on, is this being done in-house or is this
9 something where you're taking the advice of outside
10 consultants, and if so, whom?

11

12 (BRIEF PAUSE)

13

14 MR. HAROLD SURMINSKI: No, we -- we're
15 not at the stage where we have outside consultants. It's
16 a very specialized field and -- and trying to find
17 consultants that -- that would be valuable, we haven't
18 assessed that, so we would -- we would use our internal
19 resources with -- with just as much information that we
20 can gather from outside agencies.

21 MR. VINCE WARDEN: and, Mr. Gange, the
22 reason we have some hesitation in answering is that we
23 are develop -- in the process of developing a middle
24 office type model that -- we're not exactly sure at this
25 point where the boundaries are because it is just under

1 development, so we're not quite sure what's in, what's
2 out.

3 Now, as far as the middle office model is
4 concerned, we -- we have engaged outside expertise. As a
5 matter of fact that is KPMG, who assisted us with the --
6 with the review, and were -- were the successful bidders
7 on a -- on an engagement to assist in the development of
8 that middle office model.

9 So exactly what's going to be incorporated
10 in that model at this stage, not entirely sure, but
11 that's what's under development at this time.

12

13 (BRIEF PAUSE)

14

15 MR. WILLIAM GANGE: Thank you, Mr.
16 Surminski. Those are the questions with respect to the -
17 - the drought modelling. Thank you.

18 MR. HAROLD SURMINSKI: Thank you, Mr.
19 Gange.

20 MR. WILLIAM GANGE: Mr. Kuczek, if I
21 could move to you, and if -- if -- I'm going to ask a
22 number of questions of you, starting with Appendix 71,
23 the response to Mr. Dunsky.

24 MR. LLOYD KUCZEK: Okay.

25 MR. WILLIAM GANGE: First of all, let's

1 start with the kudos from -- from our corner that -- and
2 in -- and in your reply, you've mentioned a number of
3 times that one (1) of the actions that you've done is to
4 hire Mr. Dunsky and his firm for an outside review. And
5 given that it was Professor Miller that first brought Mr.
6 Dunsky's reports to the attention of the Board, from our
7 perspective, hats off to your organization for having
8 done that.

9 And -- and Mr. Dunsky has made his
10 commentary, which I believe is Appendix 25, and -- and I
11 -- a couple hundred page document. I'm going to focus,
12 if I can, upon some of the responses that you've made.

13 One (1) of the -- on -- on the bottom of
14 page 2 and going onto page 3, Mr. Dunsky had made a
15 recommendation to -- sorry, Mr. Kuczek, if I --

16 MR. LLOYD KUCZEK: It's okay. I know
17 this pretty much off the top of my head except for
18 details.

19 MR. WILLIAM GANGE: Okay. His
20 recommendation had been to close program gaps by creating
21 or expanding programs for consumer electronics and office
22 equipment.

23 And the response was that Manitoba Hydro
24 is investigating the potential to offer cost-effective
25 programs for home electronics, including televisions and

1 home office equipment, and will continue to work with
2 other leading-edge Utilities in pursuing additional
3 economic energy-efficient opportunities within this
4 market sectors.

5 In particular, sir, what -- what steps
6 have you taken to follow up on that recommendation?

7 MR. LLOYD KUCZEK: That would be the
8 details that my staff are working on. So, you know, with
9 all the opportunities that are out there, the staff are
10 always looking at what opportunities there are to reduce
11 energy consumption.

12 And in that particular area -- with
13 televisions, the desktop -- the desktop -- set-top -- the
14 set-top boxes are a big issue, and so we're working with
15 the Utilities across Canada to try to influence the
16 manufacturers on that and develop, possibly, some -- some
17 program, but I -- but I believe the object with that
18 program is to influence the manufacturers.

19 MR. WILLIAM GANGE: And so these are
20 steps that are being taking -- taken by your existing
21 staff right now.

22 MR. LLOYD KUCZEK: That's correct. You
23 know with -- we have a number of staff working on
24 different opportunities and, so, we have specialized
25 staff within each of those opportunities.

1 Some of them have more than one (1), and
2 so they get into the -- the analysis of what all the
3 barriers are, what are the potential opportunities and
4 then eventually they design a program, if they can,
5 that's economic and makes sense and then they bring it,
6 eventually, to my office.

7 MR. WILLIAM GANGE: Recommendation 1(d)
8 was to close -- close program gaps by creating or
9 expanding programs for appliance retirement. And you
10 mentioned in the response that Manitoba Hydro will be
11 launching a refrigerator recycling program in early 2011.

12 Has that been launched now?

13 MR. LLOYD KUCZEK: No, it hasn't.

14 MR. WILLIAM GANGE: When do you expect it
15 to be launched?

16 MR. LLOYD KUCZEK: We're still expecting
17 to launch it fairly soon -- spring, likely. We're
18 looking at -- it's -- it's a very challenging program,
19 that program, in terms of the economics and, so, we're
20 just doing some refining.

21 We've taken it to the executive committee
22 for approval. We've actually issued an RFP at this point
23 for a third-party company to deliver the program, and
24 we're refining the -- the delivery process, as well as
25 the costs associated with that.

1 There's a number of little issues that
2 we're trying to work out with the supplier.

3 MR. WILLIAM GANGE: I take it from that
4 answer, though, that before the fall of 2011 you expect
5 to have that launched.

6 MR. LLOYD KUCZEK: Yes.

7 MR. WILLIAM GANGE: And in terms of -- of
8 that program, sir -- again, is that being undertaken on
9 the basis of existing staff?

10 MR. LLOYD KUCZEK: Correct.

11 MR. WILLIAM GANGE: Recommendation number
12 3 was talking about using upstream incentives in
13 residential and commercial industrial sectors.

14 And one (1) of the points that you raised
15 in your reply in the action plan was that point-of-
16 purchase discounts had been used by Manitoba Hydro, and
17 you gave an example of in the fall of 2008, compact
18 florescent light rebates and the fall of 2010 for Energy
19 Starlight fixture rebates to simplify the process for
20 customers.

21 Has there been an analysis done to
22 determine what effect this did have on the take-up rate?

23 MR. LLOYD KUCZEK: Well, I do know that
24 staff have -- they -- they do monitor the take-up rates
25 with the different programs. And I don't know the

1 specific numbers, but I do know that take-up with the
2 modified program increased the participation with
3 customers substantially. I -- I don't know the specific
4 numbers though.

5 MR. WILLIAM GANGE: But that's something
6 that -- that your staff would have available?

7 MR. LLOYD KUCZEK: They have the parti --
8 the participation in that program before and after, yes.

9 MR. WILLIAM GANGE: Could -- could you
10 provide that by way of undertaking?

11 MR. LLOYD KUCZEK: I can do that.

12 MR. WILLIAM GANGE: Thank you.

13 MR. LLOYD KUCZEK: I believe we might
14 have done that already, but I will -- I will get that
15 information regardless.

16

17 --- UNDERTAKING NO. 133: Manitoba Hydro to advise if
18 an analysis has been done to
19 determine what effect
20 upstream incentives had on
21 the take-up rate

22

23 CONTINUED BY MR. WILLIAM GANGE:

24 MR. WILLIAM GANGE: Just -- just out of
25 curiosity, did your brother start using florescent bulbs

1 yet?

2 MR. LLOYD KUCZEK: The one that's
3 shopping for another house in Phoenix now?

4 MR. WILLIAM GANGE: Yeah, that -- that
5 one.

6 MR. LLOYD KUCZEK: I don't think so. He
7 -- he might have bought another fridge at this point.

8 MR. WILLIAM GANGE: You also mention in
9 response to this, the using upstream incentives, that --
10 you said:

11 "Another example of upstream incentives
12 involves co-funding feasibility studies
13 for implementation of energy efficient
14 technologies, which reduces the cost
15 for designers, and increase their
16 willingness to consider examining these
17 options."

18 Can -- can you tell me, sir, how often has
19 that occurred?

20

21 (BRIEF PAUSE)

22

23 MR. LLOYD KUCZEK: Where we offer it, it
24 is used quite extensively. There's a few programs that
25 we offer that incentive so, again, I couldn't give you

1 the specific details. We would have to get that for you.

2 MR. WILLIAM GANGE: Could -- could you do
3 that for me, sir?

4 MR. LLOYD KUCZEK: We can.

5 MR. WILLIAM GANGE: Thank you.

6

7 --- UNDERTAKING NO. 134: Another example of upstream
8 incentives involves co-
9 funding feasibility studies
10 for implementation of energy
11 efficient technologies, to
12 advise how often that is
13 used.

14

15 CONTINUED BY MR. WILLIAM GANGE:

16 MR. WILLIAM GANGE: You also mentioned
17 that:

18 "Manitoba Hydro technical staff attempt
19 to influence national market suppliers,
20 and stakeholder associations."

21 How many people would be dedicated to that
22 kind of activity?

23 MR. LLOYD KUCZEK: Well, actually that
24 depends. So for the staff that are involved in a
25 specific opportunity, if they think they can influence

1 that, yes.

2 MR. WILLIAM GANGE: And -- and the
3 response that you gave mentioned the fact that you had
4 hired Dunsky, but also that -- that your future plans
5 included:

6 "Undertaking a market potential study
7 to identify current energy savings
8 potential remaining in Manitoba;
9 undertaking a detailed comparison of
10 Manitoba Hydro's Power Smart plan to BC
11 Hydro's Power Smart plan to assess for
12 potential gaps in targeted energy
13 savings; and to continue to monitor
14 leading edge utilities and programs."

15 Of those three (3) activities, sir, how --
16 how many of them have been undertaken?

17 MR. LLOYD KUCZEK: Well, we're working on
18 all three (3).

19 MR. WILLIAM GANGE: So currently there is
20 a market potential study?

21 MR. LLOYD KUCZEK: We actually issued an
22 RFP to undertake one.

23 MR. WILLIAM GANGE: Has that RFP been
24 completed?

25 MR. LLOYD KUCZEK: We're assessing the

1 proposals at this point.

2 MR. WILLIAM GANGE: And when do you
3 expect that that market study would be available -- or
4 would -- would be submitted to you?

5 MR. LLOYD KUCZEK: The process usually
6 takes at least a year to do. So if we were to start
7 sometime this year, it would likely be next year before
8 it's done.

9 MR. WILLIAM GANGE: Thank you. And the
10 comparison of the two hy -- Smart -- Power Smart plans?

11 MR. LLOYD KUCZEK: With BC Hydro?

12 MR. WILLIAM GANGE: Yes.

13 MR. LLOYD KUCZEK: That's underway right
14 now, and it's -- it should be complete sometime this
15 summer. I haven't seen a report yet.

16 MR. WILLIAM GANGE: Is -- is that being
17 done by existing staff?

18 MR. LLOYD KUCZEK: That's correct.

19 MR. WILLIAM GANGE: And I take it also
20 that the continued monitoring of -- of other utilities is
21 being done by existing staff?

22 MR. LLOYD KUCZEK: Yes, that's part of
23 the job and responsibility of each one of those marketing
24 specialists that's responsible for the individual
25 opportunities. And -- and as part of their job they're

1 supposed to look at what other utilities are doing and
2 assess whether or not there's some additional
3 opportunities or intervention options that we could
4 pursue to improve our programs or if there was any
5 opportunities within the scope of what they're
6 responsible for, that they should be pursuing. So that's
7 an ongoing effort that's under each marketing
8 specialist's responsibility.

9 And -- and as part of this process, when
10 one (1) of the Intervenors suggested that there was -- I
11 think there was four (4) or five (5) utilities in the
12 states that were leading edge, I asked my staff to
13 actually compare their programs to Xcel Energy's
14 programs, and so they did that as well for me just to get
15 a sense for how we're doing compared to that utility.

16 So that's just part of an ongoing process;
17 whenever there's an opportunity we usually do that, and
18 with the objective of seeing if there's some additional
19 opportunities that we can pursue.

20 MR. WILLIAM GANGE: I know you're going
21 to regret saying that, but gi -- given that -- that one
22 (1) of your staff did do an assessment of -- of Xcel and
23 compare your program, that's not on the record, is it?

24 MR. LLOYD KUCZEK: No, it's in my
25 briefcase.

1 MR. WILLIAM GANGE: Would you undertake
2 to put that on the record?

3 MR. LLOYD KUCZEK: We will put it on the
4 record. It's not a formal report; it's kind of like a
5 spreadsheet table analysis, but we'll provide you with
6 that.

7 MR. WILLIAM GANGE: Yes, thank you.

8

9 --- UNDERTAKING NO. 135: To provide the analysis that
10 was done between Xcel
11 Energy's programs and
12 Manitoba Hydro's programs.

13

14 CONTINUED BY MR. WILLIAM GANGE:

15 MR. WILLIAM GANGE: You also in -- in the
16 reply at page 10 commented that:

17 "Hydro has been discussing the pros and
18 cons associated with hiring an
19 independent evaluator to conduct
20 program evaluations on a select number
21 of programs."

22 Has a decision been made since the time of
23 -- of the reply as to whether or not that will go ahead?

24 MR. LLOYD KUCZEK: And that one we're
25 struggling with. We're -- we're -- we're not sure the --

1 the values there in undertaking that at this point, but
2 it's still on the table of -- on the table of things that
3 we might pursue in the future, but it's not currently
4 being done.

5 MR. WILLIAM GANGE: At page 19 of the
6 reply in response to the recommendation under commercial
7 lighting to provide incentives for lighting design, you
8 indicated that you intend to investigate the potential
9 and impact of integrating the feasibility incentive
10 structure directly into the commercial lighting program.

11 Has that been done?

12 MR. LLOYD KUCZEK: No.

13 MR. WILLIAM GANGE: Is -- is that
14 investigation still under contemplation?

15 MR. LLOYD KUCZEK: I would say, yes.

16 MR. WILLIAM GANGE: And is that going to
17 be done by existing staff?

18 MR. LLOYD KUCZEK: That's correct.

19 MR. WILLIAM GANGE: You also indicated
20 that you intend to ves -- investigate communication
21 opportunities targeted to small and medium size con --
22 customers to help them recognize energy-efficient
23 opportunities.

24 Has that been done?

25 MR. LLOYD KUCZEK: Yes, we launched a

1 program in 2009, I believe. It's called the Power Smart
2 Shops Program. This is a tough market to get to. You're
3 talking the -- you know, the little strip malls, the
4 individual commercial customers, and they're generally
5 not focussed on the energy-efficient opportunities within
6 their building.

7 So what we do is we have -- we hire a
8 number of summer students and train them in the spring,
9 university students, and they go into these commercial
10 buildings. It's similar to the low income program. They
11 install some low cost/no cost measures for free and
12 provide the customer with some ideas of what their
13 opportunities are to pursue additional op -- energy-
14 efficient measures beyond that.

15 MR. WILLIAM GANGE: Thank you. Mr.
16 Dunsky also made a recommendation to in -- increase
17 account management by removing market barriers. And --
18 and the response to that page 23 was that you would:

19 "...consider offering online energy
20 profiling to smaller customers by
21 contracting a third party to regularly
22 review the energy consumption data and
23 identify opportunities for proactive
24 contact by a Manitoba Hydro
25 representative."

1 First of all, has a third party been
2 contracted?

3

4 (BRIEF PAUSE)

5

6 MR. LLOYD KUCZEK: Yeah, it's one (1) of
7 those challenging opportunities, because it's -- it's not
8 nec -- it's not one (1) of the most economic
9 opportunities. For large customers, we offer the --
10 what's called an Ener Trend Service, and smaller
11 customers, the economics of pursuing that are more
12 challenging. And so when we responded to do that, we
13 were going to look at whether or not we could possibly do
14 that and whether or not it would be successful, but it
15 hasn't -- hasn't been offered to customers at this point,
16 so.

17 MR. WILLIAM GANGE: And -- and as the
18 third -- is there still consideration of hiring the third
19 party?

20 MR. LLOYD KUCZEK: We'd have to check to
21 see where that's at. I'd have to talk to the staff that
22 are responsible for that to see if they're still thinking
23 about doing that, or if they've shut the door on that
24 option.

25 MR. WILLIAM GANGE: Thank you. When I

1 review the various responses to the Dunsky report, and --
2 and I -- I only went through a portion of them with you,
3 but it -- it strikes me that there's a significant amount
4 of -- of work that -- that you've indicated you're
5 considering, and a lot of it is -- is by in-house staff.
6 And we've heard from Mr. Warden of the hiring freeze.

7 Do -- do you, in your division, have
8 enough employees to -- to undertake the various DSM
9 initiatives that are -- that are under contemplation?

10 MR. LLOYD KUCZEK: The answer to that is
11 yes. If we -- there -- there's -- I've never felt a
12 constraint in terms of hiring staff for DSM efforts; the
13 restraint just was recently implemented, but if we had an
14 opportunity where we needed additional staff, I -- I
15 don't think that we would have trouble hiring an
16 additional person to undertake something like that.

17 A number of these initiatives -- you know,
18 just to put some perspective in this: when we hired Mr.
19 Dunsky, it was -- the -- the concept was to brainstorm
20 with a third party that was an expert in -- in the -- the
21 field to get a third-party view and have them come in and
22 actually work with our staff to see if they can get our
23 staff to think outside the box or to see if they're
24 actually missing some stuff.

25 One (1) of the things that Mr. Dunsky

1 identified in his report were actually being implemented,
2 or at least they were in the process of being
3 implemented. So I wouldn't want to leave the impression
4 that all these things that were put in the report
5 wouldn't have been done if we didn't hire Mr. Dunsky.
6 And what we decided with Mr. Dunsky, and we agreed, that
7 he would identify all those things that were not
8 implemented at the time he started working with us and
9 put those in the report, but it certainly wasn't a
10 reflection that these opportunities were not going to be
11 pursued.

12 So, from our perspective, we thought there
13 was a lot of value in bringing a person like Mr. Dunsky
14 in, and we were actually im -- impressed with Mr. Dunsky
15 when he testified here. So -- and that's why we did
16 that, and the benefit to us was to get our staff working
17 with an outside party like that to actually brainstorm.

18 The -- we did not put any constraints on
19 the opportunities that Mr. Dunsky suggested in terms of
20 economics. They were just really brainstorming ideas, go
21 look at them, and then staff should assess the economics
22 and whether it was viable after the fact. So just
23 because they were identified did not mean they were
24 economic.

25 MR. WILLIAM GANGE: Mr. Chernick made a

1 number of comments about the demand-side management
2 efforts, and the rebuttal that you filed pointed out that
3 -- that in the past, Manitoba Hydro has been a leader in
4 DSM efforts.

5 The point that Mr. Chernick was trying to
6 make was not commenting about the past accomplishments,
7 but the -- the future plans. And Mr. Chernick, in -- in
8 his opinion, took from the information that -- that has
9 been provided in this Hearing, that -- that Hydro is
10 predicting a decline with respect to DSM spending and
11 accomplishments.

12 That's my preamble. It would appear from
13 Mr. Chernick's research that other jurisdictions -- and
14 he lists them, such as Vermont, Rhode Island, Hawaii --
15 saying that -- that -- that their plans are going up and
16 your budget seems to be going down.

17 Do you disagree with that point, sir?

18 MR. LLOYD KUCZEK: Well, this is a -- a
19 subject of much interest to me because we're trying to
20 figure out where we're going to go into the future. And
21 it's not just a subject that's of interest to me, it's
22 probably a subject that's interest to any leading-edge
23 company pursuing energy-efficient measures.

24 Some regions have targets established
25 based on their load, and it's based on no foundation

1 other than a number picked out of the air that some other
2 region came up with.

3 And even though you were able to achieve
4 it in the past, there's this theory that you can continue
5 to do this forever. And, so, the challenge facing
6 companies like ourselves and other leading-edge companies
7 -- and, for example, I phoned the Minnesota Power -- Xcel
8 and I talked to the person responsible for DSM there and
9 they have targets established by an outside party as
10 well.

11 And, so, I asked if -- how they were going
12 to achieve this into the future -- into the distant
13 future and the response was they have no idea. They --
14 they fully recognize there's diminishing returns in terms
15 of individual opportunities.

16 So their targets are established by an
17 outside -- outside party, and they are going to try to do
18 whatever they can to meet those targets; whether they can
19 or not is unknown.

20 I've talked to BC Hydro about the same
21 issue. They've got targets set, and they've -- they come
22 up with a -- a program that -- where they feel like they
23 can meet those targets, but a big component of -- of
24 their targets are now being met through rates, which is
25 behaviour-based.

1 And when I asked them if they think
2 they're going to be sustainable into the future, their
3 answer is, they don't know. So they're designing
4 programs based on arbitrary targets, and I would suggest
5 that that isn't the -- the best approach.

6 The best approach from our perspective,
7 and this is what most companies used to always do, is
8 they used to undertake market potential studies -- this
9 is where you look at what the real opportunities are --
10 and, you know, if you were looking at the -- at the floor
11 in front of you, you'd see what they are and you'd
12 establish a plan to achieve those and make sure you
13 accomplish all those.

14 So, if you're going to eventually move
15 into the direction of just meeting targets based on
16 arbitrary loads, you're going to have to accept the fact
17 that you're probably going to move into uneconomic
18 opportunities, and -- and that would be the only way you
19 can meet those targets.

20

21 (BRIEF PAUSE)

22

23 MR. WILLIAM GANGE: I -- I -- I don't
24 want to -- to put words in your mouth, and -- and -- and
25 so if you object to the way that I phrase this question,

1 please re-state it in your answer as you see fit.

2 But, as I listen to that, are you saying
3 to the Board that -- that the -- at -- at this point,
4 from your perspective, Manitoba Hydro has achieved the
5 majority of the economic DSM at this point, and there's
6 not a whole lot left of economic DSM for you to -- to --
7 to take into account?

8 MR. LLOYD KUCZEK: Well, actually, we
9 think there's a -- a fair amount yet because, you know,
10 it's -- it's within the scope of our current Power Smart
11 Plan. And so, if you look at the numbers that we're
12 planning to achieve through the Power Smart plan, they're
13 still fairly significant.

14 What is happening is some programs
15 eventually will tail off. For -- for example, CFLs will
16 be regulated in 2012, so there -- there won't be an
17 opportunity there, but there may be into the future,
18 which isn't in our plan, when LEDs become economic.
19 Currently they're not economic.

20 So -- I'm not sure. I drifted away from
21 it. What was your question again?

22 MR. WILLIAM GANGE: The question was
23 whether -- to put it briefly, you've already skimmed the
24 cream off, and -- and there's not a lot left.

25 MR. LLOYD KUCZEK: Okay. And I said

1 there is a lot left, but it's within our plan. The other
2 thing we're do -- going to do is -- and this is the
3 reason for the market potential study. So we're sitting
4 there right now, and we're struggling with where we're
5 going to go beyond what's in our current plan, and we're
6 trying to always raise the bar ourselves in terms of
7 making sure we achieve everything that's economic out
8 there.

9 So by undertaking a market potential study
10 it basically reviews what's out there on the floor, and
11 says, Okay, you know, this -- this is the opportunities
12 out there. Is it consistent with our current plan, and
13 what we're thinking, and where do we go from here. And
14 at that point we rewrite our 2013 plan at that point
15 based on -- restudy the baseline, if you want to call it.

16
17 (BRIEF PAUSE)

18
19 MR. WILLIAM GANGE: One (1) of the other
20 statements that's made in the rebuttal has to do with Mr.
21 Chernick's evaluation of the load shape in -- in
22 evaluating DSM. And the -- the comment was made in the
23 rebuttal that Mr. Chernick had assumed a flat load shape
24 in his evaluation of DSM. Is there material that
25 provides the marginal cost that's used to evaluate DSM by

1 season and time period? Is there anything on the record?

2

3

(BRIEF PAUSE)

4

5

MR. LLOYD KUCZEK: We -- we haven't
6 provided that information. We -- we do use that
7 information but, as I understand it, that is
8 competitively sensitive information to provide the
9 details of our marginal cost value.

10

MR. WILLIAM GANGE: So that -- that
11 information falls within the confidential aspects that --
12 that Hydro has asserted with respect to various issues
13 throughout this hearing.

14

MR. LLOYD KUCZEK: And other hearings as
15 well, yes.

16

MR. WILLIAM GANGE: Thank you. My
17 understanding is that there's been a recent revision of
18 the Manitoba building code related to the Power Smart new
19 home programs. Is that correct?

20

MR. LLOYD KUCZEK: Related in the sense
21 that we helped set up the market to accept those changes
22 more readily, and the -- the provincial government is
23 implementing those changes.

24

MR. WILLIAM GANGE: How do those -- the --
25 - the revised code standards relate to previous Power

1 Smart new home standards? Are they -- are you take -- is
2 the code that -- that is being implemented consistent
3 with what the previous new home standards -- or Power
4 Smart new home standards has been?

5 MR. LLOYD KUCZEK: It doesn't include all
6 the components. It includes some of the components of
7 the -- our previous pro -- or current program, I guess.

8 MR. WILLIAM GANGE: Can you advise
9 whether, as a result of those changes that are -- have
10 been made or are in the process of being made, is it you
11 -- is it your intention to ramp up the new home standards
12 under the Power Smart plan further?

13 MR. LLOYD KUCZEK: I have an EC
14 recommendation in my briefcase as well to do that.

15 MR. WILLIAM GANGE: I got you. Can we --
16 that briefcase, don't lose it. Can -- it hasn't yet been
17 approved by the executive committee?

18 MR. LLOYD KUCZEK: No. You know, the new
19 homes program is a real challenge in terms of the
20 economics. So for it to be economic you have to assume
21 that -- or -- or make some assumptions that you're not
22 only going to achieve what you're achieving with the
23 people participating in the current program, you have to
24 take a long-term view and you have to take a view that
25 the provincial government will actually implement these

1 measures, or at least some of the measures, as you move
2 forward in time.

3 When we looked at our previous program, I
4 think Mr. Miller used to criticize us by the numbers of
5 homes that were participating, and I would agree with
6 him. It was very disappointing. But at the end of the
7 day we were very happy when the provincial government
8 implemented some of these measures.

9 So I think if we had known that at the
10 time we could have said back then there's a good chance
11 that this program would be successful, but we were unsure
12 at the time. So we were quite happy in terms of how that
13 turned out.

14

15 (BRIEF PAUSE)

16

17 MR. WILLIAM GANGE: In the past, you've -
18 - you've provided an energy rating in -- in terms of a
19 number. Can -- can you do the same now in terms of the
20 revised code?

21 MR. LLOYD KUCZEK: Yes, we can, but I'm
22 going to turn around and find out the answer.

23

24 (BRIEF PAUSE)

25

1 MR. ROBERT MAYER: Is that the portion of
2 the briefcase you've been referring to this afternoon,
3 sir?

4 MR. LLOYD KUCZEK: This is the dreaded
5 PUB binder, one of. I do say that with respect though.

6

7 (BRIEF PAUSE)

8

9 MR. LLOYD KUCZEK: How about I take that
10 as an undertaking? We -- we do have that information.

11 MR. WILLIAM GANGE: Thank you.

12

13 --- UNDERTAKING NO. 136: Manitoba Hydro to provide an
14 energy rating, in terms of a
15 number, for the revised code

16

17 CONTINUED BY MR. WILLIAM GANGE:

18 MR. WILLIAM GANGE: And -- and can you,
19 sir -- our understanding is that there are different
20 levels of the Power Smart. There's gold standard and a
21 silver standard.

22 Is there two (2) levels or is there three
23 (3)?

24 MR. LLOYD KUCZEK: There were two (2).
25 That -- that was the old program.

1 MR. WILLIAM GANGE: Yes.

2 MR. LLOYD KUCZEK: The new program, I
3 haven't read the recommendations, so I -- I'm not sure if
4 we're going to have two (2) levels or not.

5 MR. WILLIAM GANGE: Okay. And also, sir,
6 could you undertake that -- that once the matter has gone
7 to the executive committee, if that -- if tha -- if the -
8 - if the program is approved prior to the evidentiary
9 portion of this hearing, that you'll put that on the
10 record?

11 MR. LLOYD KUCZEK: We will do.

12

13 --- UNDERTAKING NO. 137: Manitoba Hydro to put the
14 revised Power Smart program
15 on the record

16

17 MR. ROBERT MAYER: Sir, whether or not
18 it's completed before the evidentiary portion of this
19 hearing -- and I think I've heard that undertaking made a
20 couple of times. Whether or not each of those requests
21 by -- by RCM/TREE is available by the time of the
22 completion of the evidentiary portion of this hearing, in
23 any event, they will be filed with this Board, is that
24 correct?

25 MR. LLOYD KUCZEK: We will do that.

1

2 CONTINUED BY MR. WILLIAM GANGE:

3 MR. WILLIAM GANGE: I'm going to move,
4 Mr. Kuczek, to some questions with respect to the low-
5 income affordability program and the evidence of Mr.
6 Colton. In the rebuttal evidence, page 87, of -- of the
7 rebuttal evidence, the comment -- you -- is made -- well,
8 there's a reference to Mr. Colton's testimony, where at
9 page 69 he had stated that Manitoba Hydro objects to
10 providing low-income affordability assistance as a matter
11 of principle.

12 Did Mr. Colton get that right, or -- or --
13 because the rest of this commentary doesn't really
14 address whether Hydro disagrees with Mr. Colton's
15 assessment there. So what I'd like to know is:

16 Does -- was Mr. Colton correct when he
17 said that Hydro objects to providing low-income
18 affordability assistance as a matter of principle?

19 MR. LLOYD KUCZEK: I guess we have to be
20 careful in, you know, the words and -- and -- and the
21 words that are used in the sentence, but our -- our
22 general position is -- is that we have a certain mandate,
23 and that's articulated within our rebuttal. And if Mr.
24 Colton is suggesting that we do something that is really
25 a social -- responsibility of a social agency and outside

1 our mandate, we would not pursue that. And we wouldn't
2 be pursuing it based on principle, we'd be pursuing it
3 based on our mandate and the restrictions within our
4 mandate.

5

6

(BRIEF PAUSE)

7

8 MR. WILLIAM GANGE: If an affordability
9 program is demonstrated to have a potential positive
10 effect upon the bottom line of Manitoba Hydro's balance
11 sheet, is it Hydro's position that it -- it -- even in
12 that situation, it's outside your mandate?

13 MR. LLOYD KUCZEK: No, because now you're
14 -- now you're talking about pursuing something that makes
15 economic sense from -- for the Utility. And it's similar
16 to, you know, us pursuing -- Manitoba Hydro pursuing
17 energy efficiency. We see that as being within our
18 mandate and our responsibility to do that, and by doing
19 that it results in energy being more affordable for
20 customers.

21 So one has to be careful with that.
22 That's not the driver in terms of why we're spending
23 ratepayers' dollars or investing in these programs. The
24 driver is to pursue energy-efficient opportunities. And
25 the result of us doing that is the benefit that the

1 energy is actually more affordable for customers as well.

2 MR. WILLIAM GANGE: Mr. Colton has made a
3 number of -- of suggestions for the low-income
4 affordability process. And -- and I'm not suggesting
5 that you would have done a study on his proposals, but
6 has Manitoba Hydro undertaken studies to attempt to
7 establish the affordability of programs similar to what
8 Mr. Colton is arguing in this hearing.

9 MR. LLOYD KUCZEK: So Mr. Colton is
10 arguing four (4) components to his program. So one (1)
11 is energy efficiency, as I recall, which we are pursuing.
12 One (1) is arrears management, and we -- we have what we
13 refer to our arrears management component of that
14 program. I think he talks about a crisis intervention as
15 well, and we have the Neighbours Helping Neighbours
16 Program. So those three (3) components we do. The other
17 component that Mr. Colton is proposing is a rate program,
18 and that is something that we are not pr -- pursue -- we
19 are not offering and not recommending that we do as well.

20 MR. WILLIAM GANGE: And I appreciate that
21 -- that -- that -- that you're not recommending and not
22 pursuing, but is that -- is that decision not to pursue -
23 - has it been tested in terms of the economics of the --
24 the suggestion?

25 MR. LLOYD KUCZEK: To -- to what extent?

1 We determine test, I guess, as proposed by Mr. Colton,
2 and I read this -- these suggestions quite carefully
3 because any time there is an opportunity to do something
4 that's more economical for Manitoba Hydro, I'm always
5 interested. But Mr. Colton is proposing a program that
6 actually does have a cost to it, and he outlines that
7 within his proposal.

8 So I don't -- I don't think he's proposing
9 that it is cost-effective. He's proposing a program
10 that's addressing energy affordability, which we're
11 saying is a social program -- or social responsibility.
12 And the cost of his program is in the \$15 million range,
13 I believe.

14 MR. WILLIAM GANGE: One (1) of the
15 criticisms that is made of Mr. Colton's submission is set
16 out at page 88 of the rebuttal, and that is that
17 comparisons to US jurisdictions are invalid. You see
18 that, sir?

19 MR. LLOYD KUCZEK: I do.

20 MR. WILLIAM GANGE: Would you agree with
21 me, sir, though that -- that throughout the responses
22 that are made by way of -- of IR replies and in -- and --
23 and on evidence filed by -- by Manitoba Hydro, from time
24 to time, there -- Hydro relies upon comparisons to
25 American situations.

1 I'll -- I'll give you as a -- as a -- as a
2 reference RCM/TREE Manitoba Hydro IR 119 which talks
3 about research document from the United States, Chartwell
4 Customer Care Institute, IR 126. Oh that's -- that's
5 found at page 26 of the book of documents. Page 27 of
6 the book of documents makes significant references to,
7 amongst others, Pacific Gas and Electric, San Diego Gas
8 and Electric, Seattle City Light. And page 28, RCM/TREE
9 Information Request 159 where, again, a significant
10 reference to the United States is made and, in fact, Mr.
11 Colton is -- is quoted in one (1) of his articles on page
12 31.

13 Mr. Colton's reaction to the comment that
14 comparisons to US jurisdictions are invalid is that
15 you're picking and choosing here, and that when -- when
16 it -- when it suits Hydro, it -- it is appropriate to --
17 to rely upon US jurisdictions. Is it -- would you
18 disagree with that?

19 MR. LLOYD KUCZEK: I -- I would,
20 actually. It's appropriate to compare to US
21 jurisdictions depending on what the issue is that you're
22 comparing. So if you're looking at what the barriers are
23 to encouraging customers to participate in a particular
24 program, it -- it's -- it could be appropriate to look at
25 other jurisdictions. But, again, even within that

1 context, you've got to be careful because there are
2 regional differences in terms of rates in different
3 regions, and you have got to take that into account.

4 But the general principle of comparing to
5 other jurisdictions is valid as long as the issue you're
6 comparing to makes relative sense. If you're -- you
7 know, another item we pointed out that didn't make sense
8 was comparing jurisdictions to -- on the metrics of your
9 aggressiveness. You know, just because of the nature of
10 your loads the metrics could be totally different, and
11 you could be just equally as aggressive, and the metric
12 is not going to tell you anything.

13 So you've got to be always careful when
14 you're comparing to other regions. This particular
15 issue, the reason we pointed that out, is because each
16 region utility, or the organization pursuing these sort
17 of opportunities, and Mr. Colton identifies a few where
18 they have rate programs. I don't know what their
19 specific mandate is, legislative mandate. What we do
20 know is we have a legislative mandate as a Crown
21 Corporation, and it's very specific in terms of what our
22 responsibilities are, or -- or -- and it also addresses
23 this issue of using funds -- ratepayer funds for
24 government purchases.

25 So we would have to analyze what the

1 legislative mandate is, and the social responsibilities
2 are within those jurisdictions. So in terms of
3 comparing, I think one's got to be very careful in this
4 area.

5 MR. WILLIAM GANGE: Thank you, Mr.
6 Kuczek. I'll -- I'll -- Mr. Colton will be prepared to
7 address that response.

8 One (1) of the issues that is -- is raised
9 in your rebuttal is how Hydro wishes to administer a
10 comprehensive program with respect to the -- the low-
11 income issues. Is -- that's a fair characterization?

12 MR. LLOYD KUCZEK: I'm not sure in what
13 context that's stated. Let's accept that for -- for now,
14 and let's...

15 MR. WILLIAM GANGE: I'd -- I'd have to go
16 back and -- and pull out a number of the -- the comments
17 where -- in the under -- or in the IR request that that
18 was referred to, but the -- the situation right now is
19 that Hydro has the Salvation Army administering the
20 Neighbours Helping Neighbours program. Is that correct?

21 MR. LLOYD KUCZEK: That's correct.

22 MR. WILLIAM GANGE: And so in -- in -- to
23 a certain extent, the fact that the Salvation Army is the
24 administrator of that, takes that out of your direct
25 control, does it not?

1 MR. LLOYD KUCZEK: Direct control in
2 terms of administering the program, correct.

3 MR. WILLIAM GANGE: But doesn't it also
4 take it out of your control in terms of the information
5 that you're -- that -- that you have available to it
6 because you don't get full reports from the Salvation
7 Army, as I understand it.

8 MR. LLOYD KUCZEK: Yes, but we're working
9 on that to get better reporting, and when we launched the
10 program -- you know, I wasn't involved in the program but
11 I understand that we weren't getting all the information
12 that we were necessarily interested in.

13 The Salvation Army is great to work with.
14 We're getting more information in terms of what we're
15 interested in, and so I think it's going to be an
16 evolving program, so I'm not really concerned from that
17 perspective. If we think we need more information, I
18 think the Salvation Army -- Army would be more than
19 willing to give it to us.

20

21 (BRIEF PAUSE)

22

23 MR. WILLIAM GANGE: One (1) of the
24 criticisms that you have of Mr. Colton is that in -- in
25 certain of his responses he didn't use correct numbers.

1 And -- and you talk about that with respect to arrears
2 and -- and also in terms of the energy burden.

3 Mr. Colton's response to that is that he
4 asked for those -- that information and -- and you
5 refused to provide it. And -- and as an example of that,
6 page 33, where the spreadsheet and database information
7 was refused for the same reasons that were set out with
8 respect to the information requested by Mr. Chernick and
9 Ms. Geller.

10 Is -- is there -- is there any way given -
11 - given this -- well, for instance, on this issue, page
12 33, where the spreadsheets were refused to be provided,
13 what can we do? What -- in a future hearing what can we
14 do to -- to ensure that -- that Intervenors -- the
15 consultants for Intervenors have the proper information
16 to critique your situation?

17

18 (BRIEF PAUSE)

19

20 MR. ROBIN WIENS: Mr. Gange, I believe we
21 had some of that discussion a little earlier on today,
22 and we discussed how we were reviewing the practices in
23 other utilities in the state of the art with respect to
24 sharing live electronic information, and I don't think
25 that at this point we can give you any better answer than

1 I've already provided this morning.

2 MR. WILLIAM GANGE: Thank you. I've
3 provided to you, Mr. Kuczek, at page 34, the answer to
4 RCM/TREE IR 112. And the -- the question that was -- so
5 that's page 34, IR -- RCMP/TREE IR 112A.

6

7 (BRIEF PAUSE)

8

9 MR. WILLIAM GANGE: It should look like
10 this, Mr. Kuczek. And I'm looking at page 34.

11 MR. LLOYD KUCZEK: I'm with you.

12 MR. WILLIAM GANGE: Mr. Colton then
13 focussed on this comment, that key learnings from other
14 programs, include bill assistance programs, should focus
15 on demand-side management, as it offers the best return
16 on investment for the customers and the Utility.

17 And he then asked a -- a series of
18 questions on that IR, which -- all of which were
19 answered. And I'll tell you that I haven't provided it
20 to you, but questions 112, 113, 114, 115, 116, 117, and I
21 believe, 118, and the sub-parts under them, are all
22 answered by virtue of -- of 112A.

23 And the answer that I want to focus on --
24 or the por -- portion of the answer, the statement that
25 bill assistance programs -- this about three quarter

1 (3/4) -- or two thirds (2/3) of the way down that answer.

2 The statement that:

3 "Bill assistant programs should focus
4 on demand-side management as it offers
5 the best return on investment for their
6 customers and the Utility was a general
7 and qualitative conclusion for Manitoba
8 Hydro's research effort -- efforts. The
9 generic statement was a reflection of
10 the long-term and sustainable nature of
11 the results which are achieved through
12 demand-side management investments."

13 There isn't anything that's been provided
14 in -- in response to the IRs that is more than that, just
15 a general and qualitative conclusion. Am I right in that
16 -- that -- that -- well, the -- well, your answer seems
17 to be for qualities, we -- we don't have any paper that
18 backs this up.

19 MR. LLOYD KUCZEK: No, and -- and that's
20 true. You know, when I read all the IRs that Mr. Colton
21 was asking about -- and I -- I can't remember how many
22 there were for the one (1) fifty (50) page report that we
23 had, but certainly one (1) lesson we learned from that
24 report would be to use -- choose our words very carefully
25 if we're going to write a report and submit it before the

1 Public Utility Board because we're going to spend more
2 time answering questions about what we meant by the words
3 we chose than we spent preparing the report.

4 So what ended up happening with this
5 report is, we got a lot of questions from Mr. Colton
6 about what we -- what was meant by the choice of these
7 words, and, you know, return on investment, I think Mr. -
8 - I got the feeling when I read that IR, Mr. Colton
9 thought we did some mathematical analysis, and we didn't.
10 It was just a simple qualitative assessment. Choice of
11 words could have been different possibly but, at the end
12 of the day, I think the point that we were trying to make
13 there is it's sustainable and that's where we should
14 really focus our efforts.

15 It dis -- doesn't mean we shouldn't focus
16 our efforts on the other opportunities as well, whether
17 they're bill assistance or the energy crisis component of
18 the program. But DSM is so important because it's long-
19 term lasting. It's not like a -- a bill assistance
20 measure where it helps you in the short term. This helps
21 you for years and years to come, so -- low-income
22 customers, and it's sustainable, and -- and that's all we
23 meant by that.

24 And we could go through all the IRs, and I
25 could explain it in the same sense. You know, there was

1 IRs asked about -- for details on what other utilities
2 were specifically doing. When we did our analysis, it
3 was a broad analysis of what other companies were doing.
4 We didn't document specifically, which utility was doing
5 -- it was intended to get across a high-level cross-
6 assessment of what utilities were doing in other
7 jurisdictions and then to design a program. And that's
8 what we did.

9 MR. WILLIAM GANGE: I'm not certain of
10 what's meant by qualitative assessment. Can -- can you -
11 - can you just explain that?

12 MR. LLOYD KUCZEK: Yeah. Qualitative is
13 just a -- a non-mathematical assessment, and that's
14 really all it's intended to mean.

15 MR. WILLIAM GANGE: Thank you. You'll
16 see that after page 34 and before page 35 there's an
17 unmarked page, part of my process. Mr. -- Mr. Colton --
18 one (1) of the -- the criticisms that -- that is made is
19 that Mr. Colton used the wrong number for arrears, and --
20 and in looking at this answer, the -- the answer
21 suggests, well, it says that -- that the distribution of
22 the arrears is not readily available. Was there more
23 information that Mr. Colton missed that -- that should
24 have given him the correct number for arrears? And, if
25 so, where was it?

1 (BRIEF PAUSE)

2

3 MR. LLOYD KUCZEK: So -- so the IR is
4 referring to the arrears related to the participants of
5 the Neighbours Helping Neighbours participants. So, as I
6 mentioned earlier, we didn't have all the information
7 when we first launched the program. We actually have
8 that information now, and we're re -- we're recording
9 what the arrears are for Neighbours Helping Neighbours.
10 We're looking at -- we're following up and monitoring how
11 the arrears are one (1) year later after they've
12 participated, as well as two (2) years later.

13 So we're trying to make a quantitative
14 assessment on how successful that program is, to some
15 degree, and that information would be available today if
16 -- if you would so desire to --

17 MR. WILLIAM GANGE: Thank you. I think
18 that Mr. Colton would like that. So if you could
19 undertake to provide that, that would be great.

20 MR. LLOYD KUCZEK: We will.

21 MR. WILLIAM GANGE: The -- the -- the --
22 the undertaking is in response to RCM/TREE Manitoba Hydro
23 Information Request 135, to provide the information that
24 was requested that is now available.

25 MR. LLOYD KUCZEK: We'll provide the

1 information that we currently have available.

2 MR. WILLIAM GANGE: Yes, thank you.

3

4 --- UNDERTAKING NO. 138: Manitoba Hydro to provide
5 information that was
6 requested in RCM/TREE
7 Manitoba Hydro IR-135 and is
8 currently available.

9

10 (BRIEF PAUSE)

11

12 CONTINUED BY MR. WILLIAM GANGE:

13 MR. WILLIAM GANGE: The criticism that
14 was made is found -- by Manitoba Hydro of Mr. Colton's
15 evidence -- is found at page 90 of the rebuttal, and
16 makes reference to Table 3 on page 18 of Mr. Colton's
17 evidence.

18 And -- and the comment is made:

19 "The arrears data that he references is
20 the Corporation's total amount in
21 arrears."

22 I don't know if you can do this, Mr.
23 Kuczek, but if you can, can you provide the -- the
24 arrears data as broken down by Mr. Colton in Table --
25 Table 3? If you could undertake to take a look at that

1 and advise us whether or not you can do that.

2 MR. LLOYD KUCZEK: We'll provide you with
3 what we can in that regard.

4

5 --- UNDERTAKING NO. 139: Manitoba Hydro to supply
6 arrears data as broken down
7 by Mr. Colton in Table 3

8

9 (BRIEF PAUSE)

10

11 CONTINUED BY MR. WILLIAM GANGE:

12 MR. WILLIAM GANGE: And if I could refer
13 you to page 39, which was RCM/TREE Manitoba Hydro
14 Information Request 167.

15 Mr. Colton asked for the -- a number of --
16 of questions arising out of the Neighbours Helping
17 Neighbours grants. Given that you currently have more
18 information, can -- can this IR be answered more fully
19 than it was at the time?

20

21 (BRIEF PAUSE)

22

23 MR. LLOYD KUCZEK: I believe we should be
24 able to answer these IRs.

25 MS. MARLA BOYD: Just before that's

1 confirmed as an undertaking, I think there's a bit of a
2 consultation going on.

3

4

(BRIEF PAUSE)

5

6

7

8

MR. LLOYD KUCZEK: The 'a' component of
that IR asks if the grants are only used to reduce
arrears. That's true.

9

10

(BRIEF PAUSE)

11

12

13

14

15

16

17

MR. WILLIAM GANGE: And, sir, if you
could go to pages 41 through 43, this is PUB Manitoba
Hydro IR-109a and b. And looking at page 43, Mr. Colton
had asked whether similar data to what was provided in
'a' was available with respect to the Manitoba social
housing sector.

18

And the response was:

19

20

21

22

23

24

25

"Hydro does not identify accounts as
social housing on its billing system."

Does that -- does that remain true today?

MR. LLOYD KUCZEK: Correct.

MR. WILLIAM GANGE: And so -- and the --
the information that Mr. Colton had requested, that's
simply not available? Is that the case, sir?

1 MR. LLOYD KUCZEK: It's -- we -- we don't
2 have that information available, no.

3

4 (BRIEF PAUSE)

5

6 MR. ROBERT MAYER: Every news corporation
7 in Manitoba seems to know that because I keep hearing it
8 on the news. This incident happened at this particular
9 social housing project.

10 You're telling me Manitoba Hydro doesn't
11 have that information?

12 MR. LLOYD KUCZEK: We don't. It's not in
13 our billing system.

14 MR. ROBERT MAYER: That isn't what I
15 asked.

16 MR. LLOYD KUCZEK: Both are true. We
17 don't have that information --

18 MR. ROBERT MAYER: Okay.

19 MR. LLOYD KUCZEK: -- and it's not in our
20 billing system.

21

22 (BRIEF PAUSE)

23

24 THE CHAIRPERSON: Mr. Gange, we're just
25 contemplating taking a short break. What's your --

1 MR. WILLIAM GANGE: I have less than half
2 an hour to go, so I'm prepared to finish off right now,
3 or I'm prepared to await a break. It -- it makes no
4 difference to me, Mr. Chair.

5 THE CHAIRPERSON: Well, let's take a
6 short break.

7 MR. WILLIAM GANGE: Okay.

8

9 --- Upon recessing at 2:28 p.m.

10 --- Upon resuming at 2:41 p.m.

11

12 THE CHAIRPERSON: Okay, Mr. Gange...?

13 MR. WILLIAM GANGE: Thank you, Mr. Chair.

14

15 CONTINUED BY MR. WILLIAM GANGE:

16 MR. WILLIAM GANGE: Mr. Kuczek, if you
17 could turn to the low-income residential energy use
18 survey report, which your back row has kindly advised me
19 is Appendix 50 of -- of the submission. I have a few
20 questions to finish off my cross-examination of the Hydro
21 panel.

22 In -- in -- you've reviewed, I take it,
23 the -- the residential survey report, sir?

24 MR. LLOYD KUCZEK: I've reviewed it, yes.

25 MR. WILLIAM GANGE: Yes. When one reads

1 this the -- the point that -- that comes out is that low-
2 income folks, from this survey, seem to have consistent
3 characteristics that would ordinarily lead to lower
4 energy usage. They are predominantly one (1) person
5 households, which would lead to lower energy consumption.
6 They are predominantly aging households, which would lead
7 to lower income -- lower usage. They are predominantly
8 apartment-dwelling households, and they are predominantly
9 -- if -- if they own a house, it is predominantly a
10 smaller dwelling.

11 All of those things -- my conclusion would
12 be that all of those four (4) characteristics are more
13 likely to lead to lower energy usage. Is that -- is that
14 fair, sir?

15 MR. LLOYD KUCZEK: That's fair, with some
16 of the elements, more -- more so than others, but, yes.

17 MR. WILLIAM GANGE: And at -- at page
18 roman numeral IV of the executive summary under, "Space-
19 Heating Characteristics," the conclusion that -- that
20 Hydro comes to by virtue of this survey is that low-
21 income customers consume less electricity than non low-
22 income customers.

23 Again, that's the conclusion that -- that
24 you came to?

25 MR. LLOYD KUCZEK: That is correct.

1 MR. WILLIAM GANGE: And -- and
2 statistically, what you found in this survey is that the
3 usage is -- is approximately 60 percent comparing a low-
4 income user -- user to a non low-income user. Again,
5 that's the conclusion that -- that Hydro came to, sir?

6 MR. LLOYD KUCZEK: That's the information
7 that one draws from the survey, yes.

8 MR. WILLIAM GANGE: And -- and the other
9 point that can be drawn from the survey on roman numeral
10 V is that low-income customers are -- are less likely to
11 participate in residential programs as compared to non
12 low-income customers.

13 Again, that's the conclusion that you came
14 to, sir? That -- and I -- and I see that at the last
15 bullet of roman numeral V.

16 MR. LLOYD KUCZEK: I accept that.

17

18 (BRIEF PAUSE)

19

20 MR. WILLIAM GANGE: And although there
21 may not be statistical verification for this, but would -
22 - would the reasons for that probably be things such as
23 the fact that -- that they're more likely to be tenants,
24 so not likely -- as likely to be people interested in --
25 in taking up those programs?

1 MR. LLOYD KUCZEK: That, and I would
2 suggest -- and that's a big one, by the way, because
3 there's not a lot of opportunities within an apartment.
4 The other component would be seniors. Seniors tend to
5 not be as interested because they're not necessarily
6 thinking long-term.

7 THE CHAIRPERSON: Has this got something
8 to do with mortality, Mr. Kuczek?

9 MR. LLOYD KUCZEK: That's what my dad
10 tells me.

11

12 (BRIEF PAUSE)

13

14 CONTINUED BY MR. WILLIAM GANGE:

15 MR. WILLIAM GANGE: On page 6 of the
16 report, under section 3.1, "Demographic Characteristics,"
17 it's estimated that, of your residential basic customer
18 total, 17.1 percent are estimated to meet the LICO-100
19 criteria, and 24 percent are estimated to meet the LICO-
20 125 criteria.

21 That -- that's as a result of -- of your
22 survey, sir?

23 MR. LLOYD KUCZEK: That's correct.

24 MR. WILLIAM GANGE: Do -- do you have any
25 sense, sir, of whether those numbers, seventeen (17) and

1 -- 17 percent and 25 percent -- 24 percent pardon me, do
2 you know if they are higher than -- than what your
3 counterparts in, say, British Columbia and Quebec would
4 encounter?

5 MR. LLOYD KUCZEK: We don't know that.

6 MR. WILLIAM GANGE: Okay. Thank you.

7

8 (BRIEF PAUSE)

9

10 MR. WILLIAM GANGE: And if you can turn
11 then, sir, to page 37 of the report and Table 6.1. What
12 I'm looking at on Table 6.1 is with respect to LICO-100,
13 the -- the significant number of -- the -- the percentage
14 of customers with burdens over 6 percent, so that,
15 overall, the number would appear to be about 64 percent
16 of -- of the LICO customers have an energy burden above 6
17 percent. Would that -- am I reading that properly?

18

19 (BRIEF PAUSE)

20

21 MR. LLOYD KUCZEK: What was the percent
22 you provided me with?

23 MR. WILLIAM GANGE: 64 percent.

24

25 (BRIEF PAUSE)

1 MR. LLOYD KUCZEK: Correct.

2 MR. WILLIAM GANGE: And that -- that
3 number, in -- in terms of non-electric heat and -- and
4 electric heat, would appear to be fairly consistent for -
5 - for the -- the LICO-100s. Again, both of those, the
6 non-electric heat and the -- the electric heat, both seem
7 to come in at about 64 percent above the 6 percent energy
8 level?

9 MR. LLOYD KUCZEK: That looks
10 approximately correct.

11 MR. WILLIAM GANGE: And then in the LICO-
12 125 number, sir, it -- it would appear that -- that the
13 percentage of those customers that are above 6 percent
14 would appear to be about 48 percent.

15 MR. LLOYD KUCZEK: Correct.

16

17 (BRIEF PAUSE)

18

19 MR. WILLIAM GANGE: On page 39 you've
20 produced Chart 6.2 and -- and this one is called "The
21 Weighted Average Percent Energy Burden by Space-Heat
22 Fuel." What does that mean "by Space-Heat Fuel"?

23

24 (BRIEF PAUSE)

25

1 MR. LLOYD KUCZEK: I think it just simply
2 means that the table is broken out into the type of
3 heating that the customers use, and so the previous table
4 that we just discussed had the same thing. But it's --
5 the first grouping is just overall customers and then it
6 gets into the components of that based on whether or not
7 you heat with electric, natural gas, and what we
8 characterize as non-electric.

9

10 (BRIEF PAUSE)

11

12 MR. WILLIAM GANGE: When I look at -- at
13 this chart, sir, under the LICO-100, every single number
14 is above the 6 percent energy burden.

15 Would you agree with that?

16

17 (BRIEF PAUSE)

18

19 MR. LLOYD KUCZEK: I have to get
20 oriented. I haven't looked at this table in -- in a
21 while, actually, so I'm not sure what it's telling us.

22

23 (BRIEF PAUSE)

24

25 MR. WILLIAM GANGE: Well, I'm reading it

1 as -- in -- in terms of the heading, "Weighted Average
2 Percent Energy Burden by Space-Heat Fuel." Can you
3 confirm this, sir, that -- that -- that it's -- it's the
4 total energy that's being reported? In other words, it's
5 not just electricity, but it's the total energy that is
6 being reported in this chart.

7 MR. LLOYD KUCZEK: I believe that's
8 correct.

9

10 (BRIEF PAUSE)

11

12 MR. LLOYD KUCZEK: I think I'm oriented.

13 MR. WILLIAM GANGE: The question that I
14 asked, Mr. Kuczek, was that -- that with respect to the
15 lo -- LICO-100, every category in this chart is above the
16 6 percent energy level. And -- and it seems obvious to
17 me that that's the answer, so -- so I apologize for the
18 triteness of the question. But -- but that's -- that's
19 what your survey found.

20 MR. LLOYD KUCZEK: Yeah, I was trying to
21 understand what the information was, but from what I --
22 as I understand it, what the calculation was is you're
23 just taking all the customers. And so if you look at the
24 previous table, over 50 percent of them are over 6
25 percent. So if you take all customers, throw them into

1 one (1) big bucket, and do the average -- or energy-burden
2 calculation including all customers given that over 50
3 percent are greater than 6 percent. When you do that
4 calculation, it should come out to be greater than six
5 (6), and that's what's happening.

6 MR. WILLIAM GANGE: Yes, and in the LICO-
7 125, so the expanded definition, there are, to be fair,
8 two (2) entries, and I think it's only two (2), which are
9 found in the non-electric heat three (3) person and four
10 (4) person column, where the energy burden is less than 6
11 percent. But other than that, even for that category,
12 LICO-125, the energy burden is over 6 percent.

13 MR. LLOYD KUCZEK: That's correct.

14 MR. WILLIAM GANGE: Thank -- thank you.
15 Those are my questions. Thank you, Mr. Chair. I
16 appreciate your indulgence --

17 THE CHAIRPERSON: Thank you.

18 MR. WILLIAM GANGE: -- this morning.

19

20 THE BOARD QUESTIONS THE PANEL:

21 THE CHAIRPERSON: We have a couple of
22 questions, too, to take advantage of the fact that Mr.
23 Kuczek is here. And just quickly, we -- probably this --
24 a lot of this ground has been covered one (1) way or
25 another, but it'll just help us refresh our memories to

1 some decay -- some degree.

2 I presume that Hydro accepts that low-
3 income households are more likely to experience problems
4 meeting heating bills than others.

5 MR. LLOYD KUCZEK: That would make sense,
6 yes.

7 THE CHAIRPERSON: And presumably they
8 also accept that paying the heating bill would
9 potentially affect attention to other material and
10 necessity needs, such as food, children, medication,
11 things of that nature. It could?

12 MR. LLOYD KUCZEK: That would be a
13 rational conclusion.

14 THE CHAIRPERSON: Does Manitoba Hydro
15 accept that some low-income households may be known to
16 turn down the thermostat to levels that could be less
17 conducive for their good health in an effort to save on
18 the heating bill?

19 MR. LLOYD KUCZEK: That is something we
20 don't know. And...

21 THE CHAIRPERSON: You're not aware of the
22 research by Ofgem in the UK?

23 MR. LLOYD KUCZEK: I haven't read that
24 research myself.

25 THE CHAIRPERSON: I didn't mean to

1 interrupt if you had something else to...

2 MR. LLOYD KUCZEK: I was just going to
3 add to that. If I -- if I was concerned that customers
4 were doing that, we wouldn't be promoting customers to
5 turn down their thermostats as a way of reducing their
6 energy bills.

7 Overall, I think if there are some
8 customers doing that, I -- I wouldn't suspect it would be
9 a significant number. My personal view is -- is, you
10 know, and my personal experience was that I lived in a --
11 in a low-income home when I was a child and we -- we
12 didn't have any insulation in the walls, I don't suspect,
13 and our windows were totally frozen in the winter. The
14 temperature variations in our house were varied up and
15 down substantially.

16 I don't really believe, based on my
17 experience, that we -- we experienced any more health
18 issues than my kids do today, where we keep the
19 temperature 22 degrees constant all the time.

20 THE CHAIRPERSON: You may have been very
21 fortunate, Mr. Kuczek.

22 Does Manitoba Hydro accept that a day in
23 the hospital or stay in the hospital caused by illness
24 brought about by keeping too -- too low temperature in a
25 home could cost more in the stay than in a total annual

1 heating bill?

2 MR. LLOYD KUCZEK: That wouldn't surprise
3 me. I don't know the cost of staying in a hospital, but
4 I would assume that it's substantial.

5 THE CHAIRPERSON: Now, Manitoba Hydro, of
6 course is -- only has one (1) shareholder, and that's the
7 province. The province as well, is it not, responsible
8 for the overall health costs of the province?

9 MR. LLOYD KUCZEK: Correct.

10 THE CHAIRPERSON: And the last I read, I
11 believe it's taking up an ever-increasing percentage of
12 the overall budget. But, anyway, does Manitoba Hydro
13 talk regularly with Family Services, housing, Salvation
14 Army, and the Department of Health about issues related
15 to energy poverty?

16 MR. LLOYD KUCZEK: Not all those
17 departments. We are talking to a few departments to see
18 if we could somehow work out ways in which we could
19 increase the participation of those homes within our
20 programs.

21 Manitoba Housing, we -- we're working with
22 them right now, and we have an agreement with them that
23 they will pay their portion of the -- what we refer to as
24 the Bill 11 funding cost because they're the ones the
25 benefit. They totally appreciate the fact that Manitoba

1 Hydro's bound by how it uses its funds, and it's not
2 suppose to use its funds for government purposes. So we
3 have -- we have that agreement in place with Manitoba
4 Housing.

5 We're working right now and we're sitting
6 at the same table as EIA, and we have the same
7 understanding and the same acceptability from that
8 department, and we're trying to come up with an agreement
9 on how we could retrofit a number of homes that they
10 would benefit, where they pay the bills. And --

11 THE CHAIRPERSON: In the -- in the cases
12 that you're relating to, there's an economic incentive
13 for the province to partic -- participate with you,
14 correct?

15 MR. LLOYD KUCZEK: Well, there -- there's
16 not an economic incentive for them. They would be
17 indifferent is what we're proposing. They would be the
18 ones that would benefit as opposed to the low-income
19 customers, so we're -- we're suggesting to them, and
20 we've talked to them about this, is that it's
21 inappropriate for us to use the Bill 11 dollars or
22 Manitoba Hydro dollars to fund those retrofits. And
23 they've agreed. And given that they benefit, they're
24 willing to put funds up from -- from their budgets to pay
25 for their portion of those Bill 11 costs.

1 THE CHAIRPERSON: When you're working on
2 delinquency cases or when your division is involved in
3 it, do you try to put two (2) and two (2) together, so to
4 speak? If you got chronic delinquency do you look at
5 other issues related to energy efficiency in that
6 particular home and things of that nature? In other
7 words, is it a trigger for other action, for other
8 referrals?

9 MR. LLOYD KUCZEK: We do do that to a
10 certain degree, and -- and to the degree that I'm
11 thinking of is our contact centre. Our collection agents
12 are -- are instructed to be alert to situations where we
13 should get some government agency involved if we thought
14 there was an issue related to that particular household
15 for some particular reason.

16 THE CHAIRPERSON: Thank you. That's
17 quite useful. Does Manitoba Hydro -- I was getting into
18 this before when I was talking about Ofgem, I guess, but
19 within the division, or within Manitoba overall, is there
20 research going on with respect to the nexus of health,
21 welfare, and energy bills? Is there an ongoing research
22 effort?

23 MR. LLOYD KUCZEK: No, we don't feel like
24 that's our responsibility.

25 THE CHAIRPERSON: Now, does Manitoba

1 Hydro accept the fact that as a government owned monopoly
2 it has, some would say, responsibilities that go well
3 beyond the simple provision of electricity?

4 MR. LLOYD KUCZEK: I think -- do you want
5 to take that one?

6 THE CHAIRPERSON: I know you're --
7 Manitoba Hydro is quite interested in economic
8 development issues. You're very active on a number of
9 different fronts. I'm just wondering, there seems to be
10 some acceptance that you go beyond being a simple
11 provider of electricity.

12 MR. VINCE WARDEN: One of our strategic
13 objectives, Mr. Chairman, is to be a good corporate
14 citizen. And under that heading, we do a number of
15 different things that go beyond strictly providing
16 electricity or natural gas.

17 THE CHAIRPERSON: Thank you, Mr. Warden.
18 That's exactly what I was wondering about because, as a
19 monopoly, Manitoba Hydro, does it not have a greater abi
20 -- ability to meet the overall public interest than would
21 be the case if you were one (1) company among a host, all
22 in one (1) competitive market with private owners? Gives
23 you some flexibility.

24 MR. VINCE WARDEN: I agree. When I
25 think, though, of other utilities across Canada, they do

1 a number of things as well. Those are in the private
2 sector. They do a number of citizenship things as well.
3 So while we do do a lot, I think we always have to be
4 cognizant of what our fundamental mandate is.

5 THE CHAIRPERSON: But your -- your
6 metrics go -- even in your annual report, I think, would
7 it be fair to say, far beyond what the net income level
8 is? You ask questions about, you know, the proper
9 training of your employees and you're dealing with
10 customers and things of that particular nature, safety
11 records.

12 MR. VINCE WARDEN: We do, but it could be
13 all indirectly related back to the -- to our mandate of
14 providing service to our customers at the lowest or -- or
15 at least in the most efficient manner possible. So under
16 the heading of efficiency we can still do a lot of things
17 that -- that may not be directly related to the provision
18 of electrons or molecules.

19 MR. LLOYD KUCZEK: And with regards to
20 the safety, I think all companies have a responsibility
21 to provide a work -- a safe workplace, so I think that
22 falls within most, if not all, businesses'
23 responsibility.

24 THE CHAIRPERSON: But with credit to --
25 to Manitoba Hydro, Mr. Warden, I mean, Manitoba Hydro has

1 gone further, for example, with some northern
2 communities, with respect to the efforts that have gone,
3 than you might find, let's say, with some other
4 utilities?

5 MR. VINCE WARDEN: Well --

6 THE CHAIRPERSON: Training...?

7 MR. VINCE WARDEN: Yes, absolutely, but
8 we still have to be aware that we derive between 75 and
9 80 percent of the electric -- electrical energy for the
10 province from northern Manitoba.

11 THE CHAIRPERSON: But you were --
12 Manitoba Hydro were quite concerned, if I recall
13 properly, in the -- in the diesel hearing in putting
14 forward an application with respect to the -- the second
15 block rate. You were -- you were concerned about the
16 effect on the population.

17 MR. VINCE WARDEN: Yes, we're -- we're
18 very concerned about the welfare of our customers,
19 absolutely.

20 THE CHAIRPERSON: Manitoba Hydro
21 obviously accepts that heat, just like water, is
22 basically a -- well, it is, a necessity of life.

23 Would you -- would -- particularly in a
24 province that has snow on the ground for, depending where
25 you live and giving full deference to my panel mate here,

1 perhaps more than six (6) months of the year, you'd
2 accept that heat is a necessity in a place like this?

3 MR. VINCE WARDEN: Yes.

4 THE CHAIRPERSON: It's not a -- honestly
5 a trick question or anything here, but just a couple
6 more.

7 Does Manitoba Hydro have any plans to
8 attempt to develop statistics on the nature of delinquent
9 residential accounts to provide Manitoba Hydro with
10 background knowledge, for example, as to the age and
11 condition of the account holder, the income level,
12 employment situation, type of home, children -- children,
13 and things of that particular nature?

14 MR. LLOYD KUCZEK: We have no plans to do
15 that, no.

16 THE CHAIRPERSON: And the -- the last
17 question is -- and -- and again, it's not meant to be
18 rough or anything, it's just -- we're well aware of the
19 extent and importance of Manitoba Hydro and all the major
20 things and the decade of investment and everything else
21 that's going on, and we're just wondering how much time
22 does low-income matters get at executive committee and at
23 the Board of Directors and the audit committee, given the
24 wide range of matters that must be before executive
25 committee and the Board of Directors.

1 Does the Board of Directors, for example,
2 get semi-annual or quarterly reports on the trends, if
3 you like, of low income households, delinquency levels
4 and things of that nature, and the involvement into
5 energy efficiency and things of that nature?

6 MR. VINCE WARDEN: Well, the Board of
7 Directors certainly has a definite interest in -- in the
8 well-being of the Province. Of course, that's -- that's
9 fundamental, I think, to a Crown-owned utility.

10 So we -- we do spend considerable time
11 before our Board talking about -- well, the diesel is an
12 excellent example of that. We spend a lot of time
13 talking about diesel-served customers and how we can
14 provide that service, recognizing that there are some
15 income issues within those communities and the reluctance
16 of our Board, Manitoba Hydro Board, to impose higher
17 rates.

18 So we're -- there's a -- as you're well
19 aware, there's a huge subsidy that's provided to those
20 communities and, if anything, it's probably going to
21 increase more so in the future.

22 Beyond that, the -- the annual Power Smart
23 Plan that -- that is presented to the -- to the Board, at
24 least annual, there's a discussion with respect to low
25 income and other provisions that are being provided

1 through that through our Demand Side Management Programs.

2 Mr. Kuczek would probably be prepared to
3 elaborate on that somewhat.

4 THE CHAIRPERSON: I'm just wondering
5 whether there's -- like many other people here, I've sat
6 on a number of different boards and oftentimes they have
7 a regular schedule of issues that come before them. I
8 mean, I don't know, it could be executive compensation,
9 it could be new supply or whatever. But is --

10 MR. ROBERT MAYER: Including Welfare.

11 THE CHAIRPERSON: Yeah. Is there any
12 sort of regular schedule by which specifically low income
13 matters come before the Board? I'm not in any way
14 inferring that they don't take an interest in it.

15 MR. VINCE WARDEN: There's no regular
16 schedule other than the presentation of -- of Power
17 Smart, specific issues related to the provision of
18 energy. To my knowledge, there's no agenda item that is
19 entitled "Low Income Issues" or any -- anything of that
20 nature.

21 We talk a lot before the Board about
22 employment equity and -- and how we deal with the
23 designated groups. How -- how we can be more inclusive
24 than we are, so there -- there's certainly a lot of
25 social condition type discussions before the Board.

1 Purchasing policies -- our purchasing
2 policies are designed to provide opportunities for -- for
3 Manitobans and especially northern Manitobans and
4 Aboriginal businesses. So while it might not be as
5 direct as you -- you -- your question, Mr. Chairman,
6 certainly indirectly, indirectly we address issues of --
7 of low income and -- and the well being of Manitobans on
8 a regular basis.

9 THE CHAIRPERSON: Thank you, gentlemen.

10 MR. ROBERT MAYER: Mr. Kuczek, did you
11 write the rebuttal evidence from page 88 to 93? Refer
12 specifically to -- I'm starting at 88, refers to the --
13 sorry, 87 -- refers specifically to Low Income
14 Affordability Program.

15 MR. LLOYD KUCZEK: I had a hand in it. I
16 don't recall writing the -- all of it though.

17 MR. ROBERT MAYER: Well, let's find out
18 which pieces you adopt then. You've indicated -- I'm
19 getting the impression from what's in the first couple of
20 pages of this is that Manitoba Hydro and the author of
21 this piece of the report has a philosophical or a legal
22 objection to an income affordability program.

23 Am I correct?

24 MR. LLOYD KUCZEK: I think it would be
25 fair to say that we think that it's inappropriate, and

1 we've said this in our rebuttal, that we think it's
2 inappropriate for us to use, and it says that within --
3 in the legislation, to use our funds for government
4 purposes.

5 It's -- and -- and so if affordability of
6 energy -- the affordability issue, in our opinion, is a
7 social issue and it's the responsibility of a social --
8 the social agencies within Manitoba.

9 So to specifically make decisions to spend
10 our dollars for those purposes we think is inappropriate
11 given our legislative Act.

12 MR. ROBERT MAYER: You --

13 MR. LLOYD KUCZEK: And that's our --
14 that's our -- our point on that issue.

15 MR. ROBERT MAYER: You refer specifically
16 to Section 43(3) of the Hydro Act on page 88, second
17 paragraph:

18 "The Manitoba Hydro Act also prohibits
19 funds of the Corporation being employed
20 for the purposes of the -- of the
21 government, or any agency of
22 government, in Section 43(3) of the
23 Act."

24 At which agency of government do you think
25 would deal -- would be funding something like an

1 affordability program, and -- and a -- yeah, like the
2 affordability program that we're -- we're discussing?

3 MR. LLOYD KUCZEK: Okay. I'm not an
4 expert on the -- the social agencies there, but there is
5 unemployment insurance, which funds those that are
6 unemployed. There's welfare that funds --

7 MR. ROBERT MAYER: I was hoping you were
8 going to say that, Mr. Kuczek --

9 MR. LLOYD KUCZEK: Good.

10 MR. ROBERT MAYER: -- because, you know,
11 you talked about -- you talk about welfare, but I heard
12 you answer My Learned Friend's questions, when you said
13 very clearly when welfare pays you get 100 percent of the
14 bill. That's not an issue, right?

15 MR. LLOYD KUCZEK: For those customers.

16 MR. ROBERT MAYER: Yes. Now, Mr. Kuczek,
17 I'm getting the impression, and I've always thought the -
18 - and I've always had the impression that when we're
19 talking about low income affordability programs, we're
20 not talking about people on welfare because you're right,
21 they're protected to a large extent.

22 We're talking about the working poor, the
23 people who have to bear, in a -- in a very large portion,
24 their own expenses, have nobody else to turn to, and in
25 some cases they're too proud to even go to a social

1 agency.

2 What would -- do you not see that as part
3 of the problem? Doesn't that where the -- isn't that
4 where the affordability issue comes from?

5 MR. LLOYD KUCZEK: Well, I think if a
6 country or a province has an issue with affordability,
7 that isn't the responsibility of the utility. That falls
8 under the responsibility of the government.

9 MR. ROBERT MAYER: I see. Mr. Warden,
10 I'm assuming you adopt that position?

11 MR. VINCE WARDEN: Yes, I agree with
12 that.

13 MR. ROBERT MAYER: Would you tell me
14 then, please, under -- since -- since you have no
15 responsibility for affordability, why are we looking at a
16 billing demand concession for some of the people who can
17 afford it most?

18 You're asking us to -- to consider a
19 billing demand concession, and yet you're telling me that
20 affordability is not an issue here.

21 MR. VINCE WARDEN: Well, when you look at
22 affordability, it certainly wasn't affordability that we
23 were considering when we introduced the billing demand
24 concession program for a very temporary period to deal
25 with a downturn in the economic cycle, a very serious

1 downturn in the economic cycle that could have forced
2 businesses -- put certain companies out of business, and
3 that would have a direct impact on the economy of -- of
4 the province, and people, possibly low income people that
5 work in those businesses.

6 The -- the fundamental problem, though,
7 with -- that we were addressing was that because of the
8 structure of our rates, there were some customers, and we
9 went over that today with Mr. Hacault, that were -- were
10 paying sixty (60) cents per -- and higher per -- per
11 kilowatt hour.

12 And -- and our rates were never really
13 designed to do that, with a demand charge and a energy
14 charge. The average was certainly never intended to go
15 to those exorbitant levels. So that's what that was
16 trying to address.

17 And our -- our policies, our customer
18 service policies do have some provision to provide
19 concessions for unusual circumstances that arise out of
20 our billing practices. That's what this was addressing.
21 I think that -- I think that's totally different than
22 some kind of a low income type program for -- for a class
23 of customers.

24 MR. ROBERT MAYER: Mr. Warden, the exact
25 reference on page 88:

1 "Manitoba Hydro's mandate does not
2 extend to issues associated with the
3 affordability of electricity."

4 If the demand billing concessions as
5 proposed by the company don't deal with the issue of
6 affordability of electricity, what do they deal with?

7 MR. VINCE WARDEN: I think they may have
8 been dealing with, you could call it, a flaw in our
9 billing structure such that there were exorbitant unit
10 costs for electricity.

11 MR. ROBERT MAYER: I'll remember that
12 next time I go back to the ski hill with that discussion
13 but -- so affordability for your largest customers is
14 okay, but affordability for your poorest customers is not
15 your issue. I find that difficult to accept, Mr. Warden.

16 MR. VINCE WARDEN: If there was a segment
17 of our residential population that was affected in a
18 similar manner for a short period of time, and the
19 billing demand concession was only for a six (6) month
20 period, if there was -- but if there was another segment
21 of our population, possibly low income, that was affected
22 because of a quirk in our -- in our billing structure,
23 then we would address it, we would address it.

24 And I think every billing structure has to
25 have provision for exceptions, and that's what this was.

1 MR. ROBERT MAYER: Mis -- Mr. Warden, are
2 we expecting then to see a new proposal come from
3 Manitoba Hydro to deal with the -- the issue of demand
4 charges? The -- are demand charges unreasonable? That's
5 what I'm taking from what you're telling me.

6 If -- if your -- if your structure is
7 wrong and your rate structure's wrong, I'm expecting
8 we're going to see a change in that then, are we?

9 MR. VINCE WARDEN: I think the rate
10 structure serves the industrial customer -- or the large
11 customer group well for the majority of time. There --
12 there are those exceptions and that's what billing
13 concessions are intended to address.

14 Having said that, we -- we have been
15 making modifications to our structure. We eliminated the
16 winter billing demand for that very reason. It was -- it
17 -- it served a purpose at one (1) time, but it's become,
18 you know, not acceptable any longer, so we changed. So
19 we changed with the times.

20 If the demand charge requires change we'll
21 -- we'll address that as appropriate.

22 MR. ROBERT MAYER: I thought the Board
23 ordered the elimination of the winter ratcheting.

24 MR. VINCE WARDEN: Well, that's right,
25 and the winter ratchet was on a downward cycle anyway.

1 We had been gradually moving towards elimination, so it
2 was finally ordered by this Board. You're right.

3 MR. ROBERT MAYER: Thank you, Mr. Warden.
4 I have nothing further.

5 THE CHAIRPERSON: Just to follow up on my
6 colleague's comments, Mr. Warden, you said if you had
7 similar circumstances that involved lower income, I guess
8 that it's not exactly the similar circumstances, but it
9 was difficult not to observe in Mr. Gange's presentation,
10 in his book of documents, the movement up in the number
11 of households with LICO-125 from 2003 to 2009.

12 If I recall the numbers properly, there
13 was a fairly significant jump of well over ten thousand
14 (10,000) households in that basic period of time. I
15 realize it's a very, very large number, and when you're
16 talking about the others, it isn't.

17 The other comment I had is more to the
18 philosophical remark that Mr. Kuczek was talking about,
19 and you sort of buttressed. I take it from your remark,
20 and correct me if I'm wrong, but Manitoba Hydro owns all
21 the shares of Centra Gas. And -- and this Board, of
22 course, has a different jurisdiction when it comes to
23 Centra Gas.

24 But there it's difficult to say, for
25 example, that the low income furnace replacement plan,

1 okay, is totally defensible, if you like, on a straight
2 economic basis. Is that not a fair remark?

3 MR. LLOYD KUCZEK: No, it's not a fair
4 remark.

5 THE CHAIRPERSON: Maybe I said it wrong.
6 Please correct it for me.

7 MR. LLOYD KUCZEK: Well, you said it was
8 totally defensible in an economic perspective.

9 THE CHAIRPERSON: No, I actually meant to
10 say the opposite --

11 MR. LLOYD KUCZEK: Oh.

12 THE CHAIRPERSON: -- so thank you for
13 correcting me. Okay. So -- so philosophically, that's
14 not something that you would strongly support, except for
15 the fact that it's in a different corporation and this
16 Board has a different mandate with respect to natural
17 gas.

18 MR. LLOYD KUCZEK: Well --

19 THE CHAIRPERSON: I'm not saying there is
20 an economic -- is not economic advantages, because
21 they've been laid out on the public record with respect
22 to lower collection costs, less bad debts, and things of
23 that -- less administration, the very fact that low
24 income people oftentimes lack the funds to get involved
25 in energy efficiency so, therefore, there was some sort

1 of gap between the money they were paying and not. But I
2 must admit I -- I agree with you, Mr. Kuczek, there's
3 some portion at least of that that is a helping hand to -
4 - to the lower income. You'd agree with that?

5 MR. LLOYD KUCZEK: I agree with that and
6 -- and just so I don't forget about this, I -- I want to
7 make it clear that your earlier comment with regards to
8 the number of customers that fall into the low in -- low
9 income category increased substantially from the '03
10 survey to the '09 survey. I wouldn't conclude that. The
11 '03 survey was more of a crude survey. It didn't have --
12 it wasn't designed to really obtain that information, so
13 we used broader categories for income levels, and so the
14 conclusion I drew from it was that it gave us an
15 indication, but the '09 survey is more reliable in terms
16 of providing that data. I couldn't conclude from that
17 that the numbers went up so -- between those two (2)
18 periods.

19 THE CHAIRPERSON: Oh, nothing, I'm sure,
20 would give us greater pleasure, everyone in the room, if
21 -- if the numbers are wrong in '03 or '09. But anyway,
22 thank you very much.

23 Mr. Peters...?

24 MR. VINCE WARDEN: Mr. -- Mr. Chairman,
25 could I just make one (1) more comment with respect to

1 Mr. Mayer's? It's been -- I've been thinking a little
2 bit more with respect to Mr. Mayer -- Mr. Mayer's
3 comments that we were willing to make a concession for
4 the large industrial customers but not so for the
5 residential customers.

6 I do think that the proposal that Manitoba
7 Hydro put forward with respect to the reduction of the
8 basic monthly charge was, in fact, just that; it was
9 something that would have provided benefit to -- to low
10 income customers, and, for whatever reason, that was
11 rejected by this Board so.

12 MR. LLOYD KUCZEK: And Mr. Mayer --

13 MR. ROBERT MAYER: That would be an
14 interesting discussion for another day. We -- we, of
15 course, had a different view on that, and we think we
16 were correct, but we'll see about that.

17 MR. LLOYD KUCZEK: And I would like to
18 add a comment with regards to the furnace program,
19 because there is some history to that program and why it
20 was justified, and it wasn't solely on economics. But as
21 you recall, that we discussed that program and cross-
22 subsidization issues a number of years ago, and the
23 Board, and I think rightfully, pointed out that the
24 customers were not participating to the same degree in
25 natural gas programs, and we agreed with that.

1 And so then it was reasonable, I think the
2 Board concluded, and directed us to design a program that
3 would actually encourage low income customers to
4 participate in that program, and it was acceptable for a
5 modest amount of cross-subsidization because of past
6 participation levels.

7 THE CHAIRPERSON: Oh, thank you.
8 Discussion is always good.

9 Mr. Peters, if you could remind us when we
10 next come back together?

11 MR. BOB PETERS: Yes. Thank you, Mr.
12 Chairman. The Board will again sit on -- starting
13 Wednesday, the 4th of May, and sit on the 4th, 5th and
14 6th of May with the evidence to be heard from the
15 independent experts, Drs. Kubursi and Magee.

16 THE CHAIRPERSON: Thank you, sir. And I
17 neglected to say thank you, Mr. Gange.

18 Okay. We'll see you all then.

19 MS. MARLA BOYD: I might just note one
20 (1) more procedural matter. There are a number of
21 undertakings outstanding by Manitoba Hydro. We were down
22 to about ten (10), I think, but they've gone up
23 considerably today. So we would propose that there be
24 some provision in the schedule that, if necessary, that
25 the panel come back to answer those questions.

1 And we'd also suggest that any rebuttal --
2 redirect that Manitoba Hydro may have at that time could
3 be addressed when that date's established, as well.

4 THE CHAIRPERSON: That sounds good. And
5 actually, while we're at it, we might as well put
6 something else out there. Mr. Peters, you've been
7 talking to your colleagues, Manitoba Hydro and the -- the
8 various Interveners.

9 If you could just remind the two (2) of
10 us, do we at this point in time have any tentative dates
11 for closing argument?

12 MR. BOB PETERS: We do.

13 THE CHAIRPERSON: I am amazed.

14 MR. BOB PETERS: As are others. And we
15 have, Mr. Chairman, been given some dates from the Board,
16 June 13th, 14th and 15 as being three (3) available dates
17 for submissions. And we also have been provided with
18 some alternative -- two (2) alternative dates, or
19 additional dates depending on the schedule, of July 4 and
20 5.

21 I can say candidly that it is hoped by, I
22 believe, almost everybody in this room that the July
23 dates are not needed, but we will see as the schedule
24 unfolds.

25 THE CHAIRPERSON: At least we can see the

1 checkered flag in the far distance.

2 MR. BOB PETERS: Yes.

3 THE CHAIRPERSON: Okay, thanks to
4 everyone, and we'll see you in May.

5 We stand adjourned.

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7 --- Upon adjourning at 3:32 p.m.

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10 Certified correct,

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Cheryl Lavigne, Ms.

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