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
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Pages 6860 to 7082

APPEARANCES

Bob Peters		)Board Counsel
Anita Southall	(np)	)
Patti Ramage	(np)	)Manitoba Hydro
Marla Boyd		)
Byron Williams		)CAC/MSOS
Myfanwy Bowman	(np)	)
Antoine Hacault	(np)	)MIPUG
Michael Anderson	(np)	)MKO
William Gange		)RCM/TREE
Delanie Coad	(np)	)SCO
Denise Pambrun	(np)	)City of Winnipeg
Gavin Wood	(np)	)Independent Experts

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--- Upon commencing at 9:34 a.m.

THE CHAIRPERSON: Okay. Good morning, everyone. Today I believe we are scheduled to hear the testimony of Mr. Colton. Mr. Peters, do you want to bring us up to date?

MR. BOB PETERS: Yes, thank you, Mr. Chairman. And as people are coming in from the backroom, I think, just to start off the schedule, we have attempted to schedule the evidence for Resource Conservation Manitoba and Time to Respect Earth's Ecosystems for today and tomorrow. And Mr. Gange has coordinated the testimony of Mr. Colton today. And tomorrow we will address other RCM/TREE witnesses.

So I suggest that we hand it over to Mr. Gange to introduce and have sworn his witness and proceed with his direct evidence.

THE CHAIRPERSON: Mr. Gange...?

MR. WILLIAM GANGE: Thank you very much, Mr. Chair, Mr. Vice-Chair. Yes, today is the evidence of Roger Colton, who has supplied written testimony, which is -- has been filed with the Board as RCM/TREE Exhibit number 5.

Before we go to Mr. Colton, with us in the gallery, Randall McQuaker, the Green Action Centre

Executive Director, Colin Crolly, the Green Action -- or -- or pardon me, Carlin -- Collin's not here, Carolyn Garlich, Green Action Centre Policy Committee, and regrets from Josh Brandon, the Green Action Centre staff who has been working with Professor Miller and myself on this file. Unfortunately, he's in a meeting in Toronto today.

With that, Mr. Colton is here. And I will start with the voir dire, qualification as an expert witness for Mr. -- for Mr. Colton. Sir, and -- yes, and -- and if I could have Mr. Singh swear him.

THE CHAIRPERSON: Mr. Singh...?

RCM/TREE PANEL:

ROGER COLTON, Sworn

EXAMINATION-IN-CHIEF BY MR. WILLIAM GANGE (QUAL):

MR. WILLIAM GANGE: Mr. Colton, good morning. You have already stated that your name is Roger D. Colton. You are a resident of the state of Massachusetts. Is that correct, sir?

(BRIEF PAUSE)

THE CHAIRPERSON: Mr. Singh is expert at

making obsolete equipment work.

MR. ROGER COLTON: I am a resident of the state of Massachusetts.

CONTINUED BY MR. WILLIAM GANGE:

MR. WILLIAM GANGE: And, sir, you have been involved in regulatory proceedings for some considerable period of time. I'm going to start off, first of all, you have a law degree.

Is that correct?

MR. ROGER COLTON: I do, I have a law degree from the University of Florida.

MR. WILLIAM GANGE: And I understand that following your law degree you began working in the state of Iowa, primarily, conducting regulatory hearings as a lawyer?

MR. ROGER COLTON: I did. I got my de -- my law degree in 1981 and did regulatory work for the Legal Services Corporation of Iowa.

MR. WILLIAM GANGE: And for -- for -- to -- to put it into Canadian context, that would be similar to what we call Legal Aid in Canada?

MR. ROGER COLTON: Yes.

MR. WILLIAM GANGE: At -- at some point you moved into not acting as a lawyer at regulatory hearings, but as -- giving testimony. Is that correct, sir?

MR. ROGER COLTON: I did. I served as a lawyer from 1981 through 1985 in Iowa and eventually took a job with the National Consumer Law Center where I began as a lawyer representing clients and over the course of a year or so seemed to end up being a witness more often than as a lawyer.

MR. WILLIAM GANGE: And I understand, sir, that eventually -- while your curriculum vitae is -- is found at Tab 1 of TREE -- RCM/TREE Exhibit number 5, and I understand, sir, that you formed a -- a partnership, Fisher Sheehan and Colton, in around 1985 and you've continued in that -- in that partnership since?

MR. ROGER COLTON: Yes.

MR. WILLIAM GANGE: And could you give the Board some -- a brief overview -- the Board has your curriculum vitae, which is extensive, but can you go through just briefly an overview of -- of the types of hearings that you've taken part in and the -- and the type of expert testimony that you've given.

MR. ROGER COLTON: When I -- when I first began as an attorney I represented ratepayer organizations before administrative commissions, before the Iowa commission and just did straight rate work. The big issue at the time, and this may date me, was excess capacity in the late 1970s and early 1980s.

And so I was an attorney litigating those excess capacity cases in Iowa. Starting in -- well, and eventually did a variety of just traditional rate case work, how to allocate the gains and losses on -- on the disposition of property, depreciation rates, rate of return.

Starting in 1985 when I began to work for the National Consumer Law Center in Boston, I really focussed on low-income work and that focus on low-income work was both from a -- an energy affordability perspective and from an energy efficiency perspective. Since 1985, so for the last twenty-five (25) or twenty-six (26) years, I've testified in the -- the cases that you have at the back of my vitae.

I've probably testified in more than a hundred (100) and fewer than two hundred (200) cases, so a lot of cases. I work for public agencies at the federal, state, and local level. I work for the private sector, so I work for Entergy Services, which is a large electric holding company in the mid-south United States. I'm currently employed as a -- a consultant by Xcel energy in Colorado. I work for the private sector and I work for non-profits throughout the country and throughout Canada.

MR. WILLIAM GANGE: And during that time period you've also had the opportunity to -- yes, during that time period you've also had the opportunity to publish a number of books and journal publications dealing with low-income energy topics, amongst others.

Is that correct, sir?

MR. ROGER COLTON: Yes, when I was at the National Consumer Law Center, one of the luxuries of working there was one -- was that I had the opportunity to -- to do -- to -- to engage in research and writing. So I've published four (4) or five (5) books now on low-income energy issues and on regulation in general. The -- the regulation of royal electric cooperatives is perhaps one of my better known books, better known is relative of course.

And while at NCLC and thereafter I've published maybe eighty (80) or a hundred articles in peer-review journals and law reviews.

MR. ROBERT MAYER: Mr. -- Mr. Gange, we have your witness' CV. I haven't heard anybody whose prepared to object to him giving expert testimony. Perhaps you could just get to the point of what kind of expertise you would like him qual --

MR. ROGER COLTON: Yes.

MR. ROBERT MAYER: -- what topics you would like him qualified for.

MR. WILLIAM GANGE: Thank you, Mr. Mayer, I'll -- I -- I will take your guidance on that. The -- I -- I would present Mr. Colton as an expert in regulatory matters dealing with low-energy programs in the regulatory system.

THE CHAIRPERSON: Mr. Williams, do you have any comments or concerns?

MR. BYRON WILLIAMS: Certainly we want to commend RCM/TREE for -- for bringing this witness who we think is eminently qualified in the issues of low-income affordability and low-income energy efficiency.

One (1) note of caution, although I -- I'm quite confident My Friend won't -- won't go that far, certainly we accept that Mr. Colton can -- can comment on the practise of regulators in terms of implementing these programs recognizing, certainly from our client's perspective, that within the qualifications that he's presented, we're not asking for his opinion in law in terms of the jurisdiction of this particular regulator under its particular statutory schemes. But absolutely we have no qualms with this particular witness' expertise.

MR. WILLIAM GANGE: And -- and just for clarification, Mr. Chair -- Mr. Colton the law commentary comes from me, not from Mr. Colton. And -- and probably one of the issues that I am very sensitive to with respect to cross-examination would be an attempt to cross-examine Mr. Colton on -- on legal issues, that's for legal argument.

And -- and so, in terms of Mr. William's statement, there's no attempt to have Mr. Colton give legal opinion here.

THE CHAIRPERSON: Thank you, sir.

MR. BYRON WILLIAMS: And I'm on all fours with those comments about cross-examination on those issues, so thank you, sir.

THE CHAIRPERSON: Ms. Boyd.

MS. MARLA BOYD: I would have expressed the same concern. So no, we have no objections on the basis in which the witness has been qualified.

THE CHAIRPERSON: I don't see Mr. Hacault here or other Intervenors. Mr. Peters, do you have any comment?

MR. PETERS: None, sir.

RULING (QUAL):

THE CHAIRPERSON: Okay. We look forward

to Mr. Colton's evidence.

EXAMINATION-IN-CHIEF BY MR. WILLIAM GANGE:

MR. WILLIAM GANGE: Thank you, Mr. Chair. Now, Mr. Colton, your -- your pre-filed testimony is found at RCM/TREE Exhibit number 5. We're not going to go through the questions and answers that have been -- have been placed there. All of the parties have had an opportunity to review that.

I'm going to move to Tab 2 of RCM/TREE Exhibit number 5 and the -- the article that you've prepared November 2010, "Home Energy Affordability in Manitoba."

First of all, with respect to this question: How do you measure unaffordability?

MR. ROGER COLTON: Home energy affordability can be objectively measured. The objective measurement of home energy affordability is in terms of home energy bills as a percentage of income. The demarcation of affordability that I and a variety of jurisdictions have used is to define affordability as home energy bills that are equal to, or less than, 6 percent of gross annual household income.

MR. WILLIAM GANGE: And at page 2 -- at -- and at page 2 of Tab 2, do you have that, Mr. Mayer?

Yes, Tab 2, page 2, Table 1 has a reference to Manitoba hydro-electric heating burdens. Could you comment on that, sir.

MR. ROGER COLTON: At page 2, I began the process of applying the objective measure of home energy affordability to Manitoba, and Table 1 presents that information, which is based on information that I obtained through -- or that RCM/TREE obtained through the discovery process. The -- Table 1 really shows the distribution of burdens, given the average energy bill that the Company provided in response to a discovery.

And what you -- what one can see here is that there is ex -- an extensive degree of unaffordability of home energy in Manitoba, that one can have an income of up to twenty-nine thousand nine hundred and ninety-nine dollars ($29,999) and have energy burdens of 6 percent or more.

If you have incomes of twenty thousand dollars ($20,000) or less, you're really firmly within the realm of unaffordability and, indeed, almost half of the Manitoba Hydro customers fall into that -- that -- not half of Manitoba Hydro customers, Manitoba Hydro LICO-125 customers fall into those income ranges. So 49 percent of the LICO-125 customers have burdens of 10 percent or more, and almost three-quarters of that customer population have home energy burdens that are 6 percent or more. So three-quarters (3/4) of the low-income population have unaffordable home energy bills.

MR. WILLIAM GANGE: And, sir, is there a way to determine if Hydro is charging affordable utility bills?

MR. ROGER COLTON: Yes. The -- if you -- if you move over to page 6 of my report, what I've done is to try -- is to flip the -- the discussion here, and instead of starting with the household income I started with the -- the home energy bills that the company charges. So we look at the actual home energy bill and determine whether that's above, below, or equal to the home energy bill that would be affordable.

At the bottom of page 6, I show that, while the company charges for base load electric, so for non-heating, non-electric heating, a bill of eighty-eight dollars ($88) per month. In order to be affordable to particular populations, the home energy bill would need to be fourteen and a half dollars ($14 1/2) for a single employed person, twenty-two dollars ($22) for a person with a disability, up to fifty-two dollars ($52). So the home energy bill for these specific populations is clearly above what these particular low-income populations can afford to pay, given the 6 percent affordability demarcation line.

I repeat that same analysis at the top of the -- the next page for home heating bills. Excuse me. We begin with an actual average space-heating bill of one hundred and twenty-two dollars ($122), and look to see what the bills would need to be in order to be affordable. And, clearly, the one hundred and twenty-two dollar ($122) bill is higher than what the bills would have been if they would have been affordable with which to begin for these specific populations, the single employable, the person with the dil -- disability, lone parent with a child, and the couple with two (2) children.

MR. WILLIAM GANGE: Now, Mr. Colton, if you could, I would ask that you take us through affordability as a social problem and affordability as a utility/business issue.

MR. ROGER COLTON: In my report I divide the problems with affordability really into two (2) different genres, if you would. On the one hand, there are the -- what I would refer to as the social problems which arise because of home -- home energy and affordability. And on the other hand, the -- the second category is the utility problems tha -- that are associated with home energy affordability.

And I don't want to dwell on the social problems because we could spend all day on this. But the social problems are significant and are clear and they're becoming increasingly well-documented in the academic arena, if you will. But the unaffordability of home energy has a direct impact on the ability of people to afford their housing. The unaffordability of home energy causes people to have problems with nutrition and with the affordability of food, people skip meals in order to pay their home energy bills.

One (1) of the issues that's receiving an extensive amount of research and attention in today's research world er -- involves the health implications. People, becau -- in order to pay their home energy bills, will skip doctors appointments and dentist appointments. People keep their -- low-income households keep their homes at unsafe or unhealthy conditions.

One (1) of -- one (1) of the research surveys that I cited indicates that more than one (1) in ten (10) households keep their home so cold that eleven (11) -- or more than one (1) in ten (10) have a person in the household re -- get so sick as to require medical attention because of their inability to afford home energy.

So there -- and then there are the health and safety issues, where people lose their service, their natural gas heating service, and substitute portable electric heaters, which are extraordinarily dangerous mechanisms to use to heat a home, so there are the social problems. However --

THE CHAIRPERSON: Mr. Colton, I presume you're aware that we have universal healthcare in Canada, so there's implications for the state arising from health?

MR. ROGER COLTON: The -- ye -- yes, I am -- I am aware of universal har -- healthcare in Canada, which would -- I believe would have implications for where the costs of providing the healthcare would lie.

So somebody who gets sick enough to require medical attention, it may not be an out-of-pocket expense to -- to the household, but it's an out-of-pocket expense to -- to someone. And the fact that it may be the government rather than that -- the household does -- doesn't change the fact that -- that people get sick because they can't afford to pay their home energy bills.

THE CHAIRPERSON: You're aware that the -- the government that operates the health system in Manitoba is the sole shareholder of the Utility?

MR. ROGER COLTON: Well, I'm -- I'm aware of that simply because I've read it. I'm -- I don't have personal knowledge of that, but I have read that, yes.

MR. ROBERT MAYER: Mi -- Mr. Colton, the Chair is trying to point out that basically we understand, firstly, the problem. We also understand that it's not only a social problem to be looked after by other social agencies, but possibly an argument can be made it should may well be borne by the Utility, whose one (1) single share is owned by the minister responsible.

MR. ROGER COLTON: Okay. In addition to these social problems that I've identified, what -- what I think it's less attention -- and -- and I talk about in my report starting about page 19 is the fact that the unaffordability of home energy also poses a utility problem, a -- a regulatory problem.

And there is this -- I spoke early about having done traditional rate case work and one (1) of the issues that we litigate is what's the least-cost method of -- of doing things, which is an issue that -- that I've litigated as a -- a lawyer. Do you buy insurance, do you self-insure, do you use peaking plants, or do you use base load plants? And the same issue presents itself in the process of collecting revenue that you've billed to people who simply can't afford to -- to pay it.

The question -- the utility side of the

question which is presented is when you're sending a bill to sim -- to someone who simply can't afford to -- to pay it, and we know that to be the case because of the information that I've presented earlier, what's the least-cost way of maximizing your colle -- your revenues while minimizing the cost of collecting the revenues?

And my report goes through and -- and show -- at this particular section and explains that Manitoba Hydro -- Hydro does in fact have a collections problem, if you will. Whether you look at it at the number in dollars in arrears, whether you look at it from the perspective of the number of disconnects, the number of contacts that need to be made with customers, be -- in order to collect a dollar, there are utility issues, regulatory issues -- as regulatory issues that present themselves by the inability to pay of low-income folks in addition to the social issues.

So one doesn't deny the social issues when you look at the regulatory issues, but you can't focus on the social issues to the exclusion of the regulatory issues. You -- you need to look at -- you need -- one needs to look at both of -- both sides of those issues.

CONTINUED BY MR. WILLIAM GANGE:

MR. WILLIAM GANGE: We also -- you -- you have tab -- Table 3, which is on page 18 of your report, and that deals with Manitoba Hydro arrears. Now in the -- in this process, sir, one (1) of the undertakings that was provided by Manitoba Hydro was to provide arrears of customers for Neighbours Helping Neighbours program, and you received that last week. It's Exhibit Number 147. Pardon me, Exhibit Number 148.

Yes, how does that in -- you were criticized that -- that -- that the conclusion that you had reached was wrong in Table 3. How do you respond to that, sir?

MR. ROGER COLTON: Undertaking number 139, which was provided as Exhibit number 148, I think presents -- I not only think, it does present data which is inconsistent, which -- with other data that has been presented to a variety of parties in response to a variety of data requests.

It's -- what I've tried to do is to look at the whole picture and fit the pieces into the whole picture and see if the -- the -- the picture as a whole is consistent. And Exhibit 148 is simply a -- a -- inconsistent with other information.

If you -- if you look at the numbers of accounts in arrears that the company provides in Exhibit Number 148, I checked that against the information that was provided in response to Discovery Request 1-40(b) and 1-44 of RCM/TREE and the numbers simply don't -- they don't match up. I checked it against the -- the data request response that was provided to CAC number 1-100(c) and the numbers simply don't match up.

If you look at the dollars, the dollars that are provided in Undertaking number 139, I checked that against the data request response -- the RCM/TREE Data Request Response 1-40 and 1-43 and the numbers are -- are inconsistent.

So I can't say -- I just received this last Friday. I can't say why they're inconsistent, I can't say whether these numbers are wrong, or whether the numbers that were provided in response to these three (3) or four (4) or five (5) other data requests earlier in the proceeding are wrong. All I can say is that the numbers that were provided, time and again, in earlier data request responses don't match up with these numbers and I -- I don't have the information to -- to figure out why that's the case at this point.

MR. WILLIAM GANGE: I'd like to move now to Part 2 of your report starting at page 23, which is entitled "The Inadequacy of the Proposed Manitoba Hydro Response." And -- and you've commented on the conceptual problems that -- that -- in the Manitoba Hydro response, basically that providing a discount should be a government program as opposed to a Utility pro -- problem.

What's your response to that?

MR. ROGER COLTON: The government clearly has a role in addressing poverty. The government, however, is not responsible for maximizing the effectiveness and the productivity and the efficiency and the cost effectiveness of the Company's response to inability to pay on its system through its own collection devices.

If a person focusses exclusively on the social impacts of inability to pay it -- that focus can lead to the conclusion that the Utility has no role to -- no role in addressing those. I disagree with that conclusion, but one can lead to -- one can see where you would get to that conclusion.

However, we know that that simply isn't the case. That the inability to pay a home-energy bill not only presents the social issues that we talked about, but presents utility issues as utility issues.

It's sort of reminiscent of the days -- and again, I understand that this may date me, when we first began speaking about energy efficiency investments by public utilities and we heard the arguments from the utilities that we're not in the business to convince people not to buy our product, we're in the business to sell our product. And I think that we've moved beyond that, that we realize that the lack of efficient use of energy presents a utility problem and presents a regul -- a traditional regulatory problem.

And so we should move with collections as well. When a utility bills a customer more than they can afford to pay that creates util -- problems on the utility system -- business problems on the utility system. It is not the government's role to determine how to minimize bad debt collect -- bad debt on a utility's system. It's not the government's role to pay benefits in order to reduce credit and collection costs, or in order to reduce the working capital associated with long-term arrears.

When one realizes that the utility issue involves looking at those customers who are receiving a bill for an amount that exceeds what they're capable of paying, and the utility objective is to figure out how to maximize the collections while minimizing the process of collection. You und -- one understands that that is a regulatory issue, and it is a utility business issue. It is not a government issue for the social service providers.

When you look at the two (2) groups of issues in combination, and this is where I come in, to find out where those -- those two (2) groups of issues overlap, where maximizing the utility -- utility's ability to address its utility problems also helps address the social issues, then everybody is better off. But -- but it's simply not the government's role to figure out and to resolve the collection problems facing a utility because of inability to pay.

MR. WILLIAM GANGE: The second point that you commented on is -- is the -- the Hydro argument, the -- the Manitoba Hydro argument, that their focus on energy efficiency has a greater return on investment.

MR. ROGER COLTON: The arg -- my report talks about the return on investment argument and that's -- on its face, is a very attractive argument, and it sounds very qua -- quantitative and it sounds very objective. The problem, as I note, is that there -- there's nothing behind that, that the Company has not applied a return on investment methodology to energy efficiency versus rate affordability.

The Company doesn't have a mechanism or a methodology to determine a -- a return on investment on either the energy efficiency or the rate affordability and, as I talk about in my report, nobody has ever --

except perhaps myself, since I wrote this report, has ever calculated a -- a return on investment for different types of responses to energy affordability.

So the return on investment, while it sounds objective, it sounds quantitative, is singularly lacking with support. Nobody's done it, no mechanism or methodology exists, no citations can be provided to anybody who has ever made that -- that calculation.

MR. WILLIAM GANGE: Manitoba Hydro also argues that providing a discount destroys the price signal -- signalling function of utility rates. Could you comment on that?

MR. ROGER COLTON: When I talk about price signals and the price signalling of low-income discounts, I have to set aside my law degree and use my economics degree instead, and I don't generally admit in polite company that I have both a law degree and a -- an economics degree.

But what -- when one talks about price signals, it's not simply a matter of providing price signals, but it's a matter of responding to price signals as well. It's basic price theory that, in order for price signals to operate, that there shouldn't be impediments to people receiving and acting upon those -- those price signals.

With low-income households who cannot afford to pay their home energy bills, those households are not receiving price signals through their utility rates. When you receive a bill for eighty-eight dollars ($88) and you're capable of making a payment of only twenty-two dollars ($22) or fifty dollars ($50) with which to begin, the fact that you've received an eighty-eight dollar ($88) bill as opposed to an eighty-four dollar ($84) bill or a ninety-five dollar ($95) bill doesn't provide a price signal.

And, in fact, when a low-income household is in arrears, the price signal is even less well provided, meaning that if you are in arrears nine hundred dollars ($900), what your current bill -- the -- what the level of your current bill is is not going to provide a price signal because rather than making a decision about whether you're going to spend eighty-eight dollars ($88) for your current consumption or whether you're going to spend seventy dollars ($70) or ninety dollars ($90), your top-of-mind decision is how to pay the nine hundred dollars ($900) in arrears that have to be paid before you ever get to your current bill.

In fact, what we have found is the way the low-income program has been structured improves the price signal rather than impedes the price signal. A household

-- and let me leave that. I'll talk about that in -- in a little bit.

But the thing to remember with price signals is that price signals not only have to be sent but they have to be received and the customers have to be able to act upon those price signals, and that doesn't occur under the current regulatory regime, and it would be improved under a rate affordability program.

MR. WILLIAM GANGE: Then finally on this section, could you talk about the use of energy efficiency as an affordability strategy?

MR. ROGER COLTON: Yes. My report talks about how the Company errs -- the Company makes a mistake in asserting that it can focus its affordability program on the delivery of energy efficiency investments. I've been working with low-income energy efficiency investments for twenty-five (25) years now. I firmly believe that there is a need for low-income energy efficiency investments.

Energy efficiency serves a function in the regulatory arena in addressing the provision of least-cost service. Energy efficiency is a necessary complement to a rate affordability program. Energy efficiency cannot, however, despite the fact that it's a good complement to a rate affordability program, energy efficiency cannot serve as an affordability program on a stand-alone or primary basis.

And the reason for that is twofold. One (1) is that the number of households that need to be served in order to -- by a program, by an affordability program, to address the affordability problem far exceeds the ability of a utility to deliver energy efficiency to in any -- any time in the foreseeable future. We're talking tens of thousands of -- of households that need to be served on an affordability basis.

The Company's current low-income efficiency program serves about -- an average of about a hundred and sixty (160) people per year, so. And it's not -- yeah, one could say, Well, we can expand that. But no reasonable person, including myself, would suggest expanding the low-income efficiency budget, so we're serving tens of thousands of -- of households in -- in a year.

Setting aside that -- that administrative issue, the -- the other issue, however, is simply that efficiency, given the need to reduce consumption to an affordable level, a -- even a good efficiency program doesn't have the capacity to generate those -- those savings.

If we reduce consumption by 25 percent,

which a good efficiency -- which would be a good efficiency program, a 25 percent consumption or a 25 percent bill reduction would not have the impact of making bills to low-income households be affordable.

Now, if we had an efficiency program that resulted in a 25 percent bill reduction or a 25 percent consumption reduction, that would be an extremely effective efficiency program from the perspective of reducing consumption. It simply wouldn't be a good affordability program from the perspective of lowering bills where -- to the point where-low-income households could afford to pay them.

(BRIEF PAUSE)

MR. WILLIAM GANGE: Mr. Colton, if we could now move to page 41, Part 3, the low-income affordability program. Could you briefly outline the essential components of an energy strategy?

MR. ROGER COLTON: I present four (4) essential components to an affordability strategy in Manitoba. And I would concede up front that these four (4) essential components aren't unique to Manitoba. I believe that these four (4) components are an essential -- are the essential components whether one (1) is in

Colorado, or Manitoba, or Pennsylvania, or elsewhere.

The four (4) components would include a rate-affordability component, a -- an arrearage-management component, a crisis-intervention component, and an energy-efficiency component. And do you want me just to tal -- let me just talk through those briefly.

The rate affordability component has a variety of aspects to it. First I would set the affordability equal to 6 percent of income. And that 6 percent of income has a -- a methodology behind it. There's a calculation behind the 6 percent, and there's empirical work that indicates that bills become unaffordable beginning at 6 percent of income.

In delivering that percentage of income based affordability program, I recommend what's called a fixed-credit program. And what a fixed-credit program does is the customer's bill is calculated through the -- the mechanism that the company would normally use to calculate a bill. For example, for a levelized billing, monthly billing plan, so there is an existing process, you calculate then the affordable payment and you subtract the affordable payment from the -- the calculated bill to re -- to determine what the difference is.

That difference is then divided into

twelve (12) equal amounts and provided as -- as a fixed credit. The fixed-credit program is important in that it's -- rather than the payment being fixed, it's the credit that's fixed. So if the customer responds to this program by increasing their consumption, the credit remains the same and the customer pays the increase.

So there is no incentive for the customer to -- to increase their consumption because if -- if they do, that -- that financial responsibility lies with the customer. In contrast, if the customer conserves energy, reduces the bill, then that savings goes directly into the customer pocket. So the fixed-credit program has a -- and is explicitly designed to create a conservation incentive to it.

The second component is an arrearage-management program. And the theory, if you will, behind the arrearage-management program is simply it makes no sense -- or it makes no difference to make the bill for current consumption affordable if the household has large arrears and would be disconnected due to a pre-existing arrears.

MR. ROBERT MAYER: Mr. Colton, before you leave the other one (1).

MR. ROGER COLTON: Yes.

MR. ROBERT MAYER: How do you calculate,

or how do you arrive at this fixed credit? I mean, you understand that basically that a couple of types of Hydro customers, electric customers, some who heat with gas and some of us who heat with electricity.

In any event, your monthly payments, unless you happen to be able to be on -- on a fixed-budget system, can vary wildly between July and August. I was going to say June but not -- not -- not this June. And January/February, where we -- the difference can be within, you know, a thousand dollars.

So how do you establish this credit because it won't be a fixed number if your bills vary by the month, would it?

MR. ROGER COLTON: You would put somebody on a levelized billing plan. Let me explain to you what Xcel Energy does, the -- the company that I work for in Colorado. You start with an annual bill and the annual bill is calculated again through whatever mechanism exists to calculate an annual bill for purposes of a levelized budget billing plan -- I call them budget billing plans, but a levelized monthly billing plan. You subtract from that any public assistance that is received.

Some -- some customers would receive sufficient assistance to pay part of their bill, some customers receive assistance to pay all of their bill and therefore there's no bill left to provide a fixed credit against. Anyway, you subtract the public assistance.

You then subtract the percentage of income payment. And so, let's say -- let me make up some numbers here. You start with a twelve hundred dollar ($1,200) bill, you make these subtractions and you end up with a three hundred and sixty dollar ($360) bill.

You then say, Okay, that three hundred and sixty dollars ($360) is the amount of the annual credit that's needed to be provided. If we provide you three hundred and sixty dollars ($360) your bill will be affordable given the percentage of income payment and the amount of public assistance you're receiving. So we're going to provide you a thirty dollar ($30) a month fixed credit.

Now, you also place the customer on a levelized billing plan which I think addresses this. So that thirty dollars ($30) stays the same. So if the -- again, if the customer increases their bill their credit is still thirty dollars ($30) and they're responsible for whatever the increase is. If they save energy, reduce their consumption, the thirty dollar ($30) credit remains constant and the savings goes into their pocket.

MR. ROBERT MAYER: Okay. Firstly, in

order to get onto a levelized billing program, at least in Manitoba, you require at least one (1) year of experience so Hydro knows how much you're actually going to spend. They won't let you touch a levelized payment plan until you've had one (1) year of service. That -- that creates an immediate problem for anybody moving to the province.

That -- getting by that small problem, however, do you continually means test these people? Because Manitoba Housing, for example, has a gen -- generally will rent you premises based upon, I think, it's 25 percent of your income, and I'm not sure whether that's net or gross, but -- and -- and they function on that basis. They continual -- continually of course keep track of improvements in income and I suspect generally the deterioration in cost of living, but it -- it's virtually a continual means test, which I'm assuming might be a little expensive.

So I'm wondering what would your plan and your thirty dollar ($30) -- what would happen to your thirty dollar ($30) credit if a second member of the household, for example, obtains employment?

MR. ROGER COLTON: Again, let -- let me not speak in theory, let me simply tell you what we -- we do -- listen to me -- what Xcel Energy does in Colorado.

The -- there really are three (3) different categories of customers in the Colorado fixed-credit program.

There are the customers who have -- who report a zero-dollar income. And we're suspicious of people who -- suspicious may not be the right word, but cautious in responding to people -- people who report a zero-dollar income. If you repeat -- if you report a zero-dollar income you have to come back and re-certify your income in three (3) months because, perhaps self-evidently, the belief is that a zero-dollar income isn't sustainable.

Then there are households who have incomes that tend to be -- tend not to vary on a year-by-year basis. In Colorado those are folks who are on disability income, folks who are on aging assistance, so aid to the aging, blind, and disabled, which is a specific program. Those customers have their incomes re-certified every other year simply because doing it every year wouldn't gain anything. And then there's everybody else who is required to have their income re-certified on an annu -- on an annual basis.

And, granted, there may be people who, during the ensuing year, will experience increases or decreases in their program, and it's simply an administrative decision to say, We're going to re-certify income on an annual basis.

MR. ROBERT MAYER: I deliberately picked the example of a -- another family member obtaining employment because that's one that could be easily missed. If you -- if you know your original house in case, you know your original tenant, you have the employment, you can fairly easily and fairly quickly find out if there's been some kind of an increase in that employment if you're a little suspicious of the report you've got. It's those other little problems that I would wonder about.

MR. ROGER COLTON: All I can say is that what's theoretically correct, the -- the correct thing to do, often runs into the -- the impediments provided by delivering a -- a doable, manageable, administratively fundable program. And the notion of food stamps in the United States require a monthly income re-certification, and I -- I simply would never recommend that a utility undertake that expense and that effort to do a continuous income re-certification, and that's with the recognition that there will be folks that have incomes go up and other folks who will have incomes that go down, and the fact is that the objective is to deliver a program that works in the real world and doesn't work in some theoretical person's mind.

MR. ROBERT MAYER: Thank you very much, sir. I appreciate that.

THE CHAIRPERSON: My understanding of the Pharmacare plan in Manitoba may or not be correct, but my understanding is is that the means testing only -- basically, what happens in Manitoba with the universal prescription drug program. And if you're at a -- your deductible is a percentage of your family income, and I believe what happens is they -- after the person signs up, they receive information from the income tax system, and there's an annual adjustment, like you're talking about. I think the testing is only once a year. I think the program also allows, if there's a catastrophic drop in income during the year, that the program can be adjusted for that.

MR. ROGER COLTON: That sounds like the type of program that I work with in the States, even given the ability to come in and make a -- an adjustment if there's a catastrophic change in income. But sort of the standard is an income re-certification on an annual basis. And there clear -- there obviously are -- are lots of greys in here and lots of administrative steps that -- that I'm not talking about, but the basics of the program involve an -- an annual income re-certification.

THE CHAIRPERSON: Thank you, sir. I

think the Pharmacare plan is sort of based on these things that you're talking about, about the -- the difficulty of constantly mean testing and the acceptance of -- of differences that may arise during a year. They basically live with it.

MR. ROGER COLTON: Arrearage management is simply based on the concept, as I may have stated, that it makes -- it makes little sense to have the bill for current service affordable if a person is going to have an unaffordable total bill because they have a pre-existing arrears. The -- the goal is to make the total asked-to-pay amount an affordable percent -- an affordable amount.

The arrearage-management program does require somebody to take some responsibility for -- for their pre-existing arrears. And the arrearage-management program then says that for every month that you successfully participate in the program you have a pro rata portion of your pre-existing arrears forgiven or a credit provided over a three (3) year basis.

The -- the bottom line with the arrearage-management program is that people who owe one hundred and eighty dollars ($180) or less in pre-existing arrears won't receive any arrearage credits because over a three (3) year period they're going to pay -- pay their bills.

But the important -- two (2) important parts about the arrearage-management program is that there is a customer co-payment so that they're not getting off scot-free, if you will, and the other is the -- to spread the arrears over a three (3) year period.

The crisis-intervention component is necessary because one (1) attribute of low -- of the income of low-income households, in addition to the level of the income, is what is frequently known as the fragility of the income as well. There is a concept called involuntary part-time employment.

People lose their jobs. People have lower quality jobs and, therefore, they're on an hourly wage. So if they -- if they lose hours in a month, they permanently lose wages. There are any number of reasons why even somebody who is on an affordability program may get behind on their bills and require an emergency payment.

The emergency component is reasonably limited. It's limited to 5 percent of the -- the total cost of the program. And there -- again, there is a calculation behind that.

And, finally, there is a limit on administrative costs. We know, for example, that the company's current program, the Neighbours Helping

Neighbours program, has an administrative cost of 40 percent. So of every one hundred dollars ($100) that is spent by the company's current Crisis Intervention program, forty (40) -- forty dollars ($40) of that one hundred dollars ($100) goes into administrative functions.

The administrative cost limit for the affordability program that I have proposed is 10 percent, and that 10 percent has been found to be a livable level by service providers that deliver the -- the affordability program.

So those are the four (4) -- oh, and energy efficiency. I talked about -- I'm sorry. Energy efficiency is a necessary component to the program. But the thing -- the task that's needed for energy efficiency is one needs to meld the efficiency objectives of the program with the affordability objectives of the program. And the way to do that is to target efficiency investments to one (1) of two (2) populations, those households with the -- and they're overlapping populations, those households with the highest consumption because you get the most efficiency reduction from that perspective and you get the most affordability improvement from the affordability perspective.

And, secondly, tar -- you target the

efficiency to the households with the largest credits because every dollar of credit -- every dollar of bill that's reduced is a dollar of credit that doesn't have to be provided by -- by the affordability program.

So the efficiency component is a necessary -- is a necessary component of the affordability pro -- program, but it can't be a stand-alone component. The affordability goals and the usage reduction goals are complementary, but they're not identical.

(BRIEF PAUSE)

CONTINUED BY MR. WILLIAM GANGE:

MR. WILLIAM GANGE: Mr. Colton, if you go to Table 17 at page 56, dealing with cost recovery, basically the question that -- that would be asked of you is how much is this going to cost. Can you comment on that?

MR. ROGER COLTON: Yes. In preparing the -- in -- in preparing the text for this report I cost it out. An affordability program consisting of the rate discount, the arrearage management, the crisis intervention, and the administration, I did not include an energy efficiency budget because my impression is -- or my understanding is that the commission deals with energy efficiency in a separate -- along separate lines, so I didn't want to intrude on that discussion.

But the cost of providing an affordability program such as that which I've recommended in Manitoba is $15.5 million a year. The question then becomes: How does one recover those costs? And what I recommend in Manitoba is a meters charge.

There really are two (2) different ways to recover the costs of a -- a low-income program. One (1) is on a volumetric basis, one (1) is on a meters-charge basis. The problem with the volumetric basis is that people who are customers who use more energy pay more for the -- the low-income program.

And it is more fair, in my opinion, for that not to occur, that -- for there to be -- within each customer class for there to be an equal contribution. And Table 18 is the cost recovery. And you can see from Table 18 on page 57 that the -- the cost recovery numbers are actually quite reasonable, a dollar ($1) per month for residential customers, two dollars ($2) per month for small general service customers, and -- and so on.

One (1) of the cost-recovery recommendations I make is for the administrative-cost component of the program to be paid out of late payment charges. The late payment charges for the Company are acknowledged to be not cost based. And so to use a -- a portion of the residential late payment charge revenue to fund the administrative component of the affordability program is simply to put those late fees to work to accomplish what the underlying late fee was intended to accomplish with which to begin, which is to -- to assist in -- incentivize and improve the -- the payment of current bills.

THE CHAIRPERSON: You're suggesting, by the way, in your numbers that 20 percent of the residential customers are late every month? You're talking about eighty-four thousand customers (84,000) customers paying late fees each month on a general service small residential, if you want, base of -- residential base of four hundred and sixty-seven thousand (467,000). That's correct, is it not?

MR. ROGER COLTON: I have...

(BRIEF PAUSE)

MR. ROGER COLTON: Yeah, my numbers aren't exactly the same as yours, but they're certainly in the -- the same range. The -- the late payment charges that -- numbers that I've got out of discovery responses, I only have them for 2008 and 2009 from the discovery responses --

THE CHAIRPERSON: Page -- page --

MR. ROGER COLTON: -- but --

THE CHAIRPERSON: -- page 57 of your report at the bottom says that there's an average of eighty-four thousand (84,000) residential customers each month were billed a late fee in 2009. And above that on Table 18 you say there's four hundred and sixty-seven thousand (467,000) customers.

MR. ROGER COLTON: Yeah.

THE CHAIRPERSON: So basically you're suggesting 20 percent of the residential customer base is late every --

MR. ROGER COLTON: Yes.

THE CHAIRPERSON: -- late every month. It may not be the same customer, but on average?

MR. ROGER COLTON: Yes, I -- I agree with that. And -- and those numbers -- yes, I -- I agree with that.

THE CHAIRPERSON: Thank you. You're basically agreeing with yourself actually.

MR. ROGER COLTON: I -- I agree that the 20 percent is -- appears to be the same as the number that -- that I've previously seen, yes.

THE CHAIRPERSON: Mr. Gange, we're --

we're absorbing Mr. Colton's evidence quite closely. I'm wondering if we could take our break now.

MR. WILLIAM GANGE: Yes. Thank you.

THE CHAIRPERSON: Thank you.

--- Upon recessing at 10:43 a.m.

--- Upon resuming at 11:05 a.m.

THE CHAIRPERSON: Okay, folks. Let's begin again. Mr. Gange...?

MR. WILLIAM GANGE: Thank you very much, Mr. Chair.

CONTINUED BY MR. WILLIAM GANGE:

MR. WILLIAM GANGE: I'm going to move, Mr. Colton, to Part 4 of your report, the business case. And that -- for those following along it's page 69 of Tab 2 of RCM/TREE Exhibit number 5.

What I'm going to do here, Mr. Colton, is ask you to say what a business case is not.

MR. ROGER COLTON: In establishing a business case, what a business case is not is seeking to quantify all the costs of a low-income affordability program, in seeking -- on the one hand, in seeking to quantify all the benefits or cost reductions accruing from the low-income program. On the other hand, endeavouring to show that the cost reductions generated by the program exceed the costs of the program.

On the one (1) -- there are two (2) reasons why that is not the way to pursue a business case. The first is that it's conceptually flawed. There is no argument that a low-income program will be cost free on net. The -- the business case should instead look at whether the cost of delivering service with a low-income affordability program are more effective, more efficient, and more cost effective at accomplishing the objectives of the program than the existing alternatives.

And I'll come back and talk about each of those. But whether it's more effective, more efficient, or more productive, and more cost effective.

The second reason not to look at a business case as a weighing of the cost versus the cost savings is that it's really impossible to calculate the -- the cost savings. No one has yet to find a mechanism to accurately identify and quantify all of the cost savings from a low-income program.

MR. WILLIAM GANGE: If you could make reference, Mr. Colton, to page 93.

THE CHAIRPERSON: It's a daily

occurrence, Mr. Colton, don't jump.

(BRIEF PAUSE)

CONTINUED BY MR. WILLIAM GANGE:

MR. WILLIAM GANGE: And that reference talks about the cost-effectiveness analysis -- cost-effectiveness analysis.

Is that correct, sir?

MR. ROGER COLTON: Yes, footnote 155 on page 93 talks about the difference between a cost-effectiveness analysis and a cost-benefit analysis. And it simply goes to show that the distinction that I draw in building a business case on a cost-effective -- cost-effectiveness analysis isn't simply a construct that -- that I've created. It's -- the distinction between those two (2) lines of analysis is -- is well accepted in -- in the literature.

MR. WILLIAM GANGE: You addressed this issue in a report that you prepared for a conference in -- in Dublin.

Is that correct, sir?

MR. ROGER COLTON: I -- I did. I -- I wouldn't -- I wouldn't say it rises to the level of a report, but I was invited to make a presentation to -- to a meeting of the International Energy Agency in Dublin in January of this year.

MR. WILLIAM GANGE: And, Mr. Chair, I've provided to Mr. Singh, and hopefully to the Intervenors that are here, a document entitled "Quantification of -- of NEBs: A Review of Two (2) Options," which is a PowerPoint presentation that Mr. Colton used at that conference. If we could have that marked as RCM/TREE number 12.

THE CHAIRPERSON: Very good.

--- EXHIBIT NO. RCM/TREE-12:
PowerPoint presentation entitled "Quantification of NEBs: A Review of Two (2) Options"

CONTINUED BY MR. WILLIAM GANGE:

MR. WILLIAM GANGE: And if you could make reference to that, sir, in terms of the -- your analysis with respect to the net back.

MR. ROGER COLTON: Yes. Yes. The import of this pre -- presentation is a quantification of -- of NEBs. NEBs are non-energy benefits, so I didn't realize until I just looked at this that it doesn't define what a NEB is, but NEBs are non-energy benefits.

MR. ROBERT MAYER: We know it as the National Energy Board.

MR. ROGER COLTON: And the International Energy Agency asked me to make this presentation. There was a meeting -- just to give the context in about twenty (20) seconds, there was a meeting of about fifty (50) folks. No one was -- from Canada was there. There were four (4) of us there from the United States, people from Spain, Poland, France, Great Britain, New Zealand, but primarily a Euro -- European crowd. Not a crowd. Primarily a European representative group.

And this presentation really makes the distinction between -- the same distinction that my report to this commission or this Board has made: the distinction between the social benefits of improving affordability and the utility benefits of improving affordability. And if you turn about half -- halfway back, there is a -- a coloured chart, but then I want to ask you to -- to turn to the next page.

MR. ROBERT MAYER: The pages are all numbered. That would be helpful, if you told us which one we're at.

MR. ROGER COLTON: Where are the numbers?

MR. WILLIAM GANGE: The coloured page is numbered as page 6. The next slide is not meas -- is not numbered, Mr. Mayers (sic), but it's entitled "Measuring Collections: NEBs Through Net Back."

MR. ROGER COLTON: And the reason or the -- the import of this presentation, for the purposes of this proceeding, is that it really provides a -- an overview of -- at a higher level than the -- the numbers that I presented in my report of the -- the cost-effectiveness process that we're looking at.

And the cost-effective -- effectiveness process is really a process known as calculating net back, and page 7 defines net back. Net back is the total amount collected minus the total expenses involved with the -- the collection technique. And the ensuing pages go through and show a -- a calculation of net back.

And I'm not going to take you through each of these calculations. Some of these calculations are presented in -- in my report. But if you go to -- to page 11 there is a table there called "Net Back: Putting it all Together."

And what it shows, this -- these figures are based upon an Indiana program that I worked with. And what it shows is that, on the one hand, there are the billings and collections without the low-income program. And then on the other hand, there are the billings and collections with the -- the low ha -- the low-income program.

You start by looking at the amount of money that is actually collected in this program or in this state with and without the collection -- with and without the programs. You see that -- here that even though the -- the utility under the low-income program bills fewer dollars, bills two hundred and seventy-three thousand (273,000) rather than three hundred and four thousand (304,000), they actually collect more of that and they spend less in the process of collection.

So when you get to the bottom the net back is that without the program the utility experience to net back of 71 percent, the amount of money that it actually collected minus the cost of collection. They end up with a net back of two hundred and fifteen thousand dollars ($215,000) or a net back of 71 percent.

Under the program or for the customers -- the low-income customers receiving benefits through the low-income program, they start out by billing two hundred and seventy-three (273). They end up with a net back of two hundred and twenty-three thousand dollars ($223,000) or 82 percent.

So this isn't a cost-benefit ratio, but it does show that the company -- that this particular company, Citizens Gas and Coke Utility, is better off with the -- the program. Even though they started by billing fewer dollars, when you take into account the amount of money they actually collected and, given the amount of money that they spent in the process of collection, their net back, their cost effectiveness, is higher with the program than without the program.

MR. WILLIAM GANGE: And, sir, your -- your re -- review would suggest that there are four (4) essential points in consideration of an affordable low-income rate. You've set them out on page 85. Could you review them for us, sir?

MR. ROGER COLTON: Yes. Yes, in -- in making this calculation of cost effectiveness you really have to first establish what outcomes you're seeking to accomplish. So you say the program is cost effective. But the question is: It's cost effective in accomplishing what? So you have to define -- or you have to identify what -- the -- the what, the outcomes that you're seeking.

Then you -- the second step is to identify how effective the program is in accomplishing those objectives because something can't be cost effective if it's not accomplishing the objectives you've set out for yourself.

You then want to look at the productivity of the program, so you're accomplishing these results given what level of effort.

And then you put that all together and consider the -- the net cost of the program or the net -- the net back of the program, the -- what you've accomplished minus the cost of accomplishing that.

MR. WILLIAM GANGE: And, sir, if you -- if you could, would you explain how a program like this has an impact on the effectiveness of maintaining uninterrupted service?

MR. ROGER COLTON: One (1) of the objectives -- there really are two (2) objectives for a low-income program or for a utilities collection objectives. One (1) is to keep people on the system because we want to keep selling electricity, or natural gas if this was a natural gas case, but we want to keep selling electricity to folks, and we want to keep people receiving electricity, and then we want to be paid for providing that electricity. So we want -- so the two (2) objectives are to keep people on the system and to generate payment for the services that we provide.

In my report starting about page 87 I talk about the impacts of a -- a low-income program on the first objective of keeping people on the system and -- and these are real numbers from a -- a real program. And keeping people on the system was measured from two (2) perspective.

One (1) is the number of disconnects, service disconnects for non-payment per one (1) -- one thousand (1,000) accounts and the second is the number of service disconnections for non-payment per one hundred (100) count -- accounts in arrears.

And the -- the empirical data shows that a low-income program will improve the effectiveness of a utility's performance on -- on both of those metrics of measuring, keeping people on the system. It will reduce the number of involuntary disconnects for non-payment per one thousand (1,000) accounts and it will reduce the number of involuntary disconnects per one hundred (100) accounts in arrears. And both of those are important.

You want to know how many people in general you're disconnecting, but you also want to know, once somebody gets in arrears, do they pay those arrears off or do they eventually move to the disconnection of service. And the data that I present in this report shows that a low-income program will improve performance on both of those accou -- both of those metrics.

(BRIEF PAUSE)

MR. WILLIAM GANGE: And -- and then how would this program improve the effectiveness of -- of collection of accounts?

MR. ROGER COLTON: The second metric that I identify is -- is having the company get paid for the service it's providing. A company could always reduce the number of disconnections simply by accepting a -- a larger amount of -- of arrears. So you not only want to reduce the number of disconnections but -- but the company wants to im -- improve its collection of revenue at the -- at the same time.

And if you move to Table 19 it shows the impact of -- of the Indiana program and this, as I note here, the same impact was found by a Colorado program, but the important numbers here are the point nine-o (.90) and the one point one one (1.11). And what Table 19 shows is that while this utility billed program participants 90 percent of what it had billed program non-participants, it collected one hundred (100) -- 111 percent of what -- from program participants as opposed to what it collected from program non-participants.

And this is all out of the low-income population. So while it billed fewer dollars, it actually collected more of those dollars and ended up collecting more dollars overall. And the same results were found in -- in Colorado.

(BRIEF PAUSE)

MR. WILLIAM GANGE: The program also has a productivity -- an impact upon the productivity of collection activities. Is that correct?

MR. ROGER COLTON: It does. A low-income program can be expected to not only collect more money but to improve the productivity of the utility collection process at the same time.

And I present in my report a couple of different tables. If one turns to Table 21 on page 91, for example, what -- what we found in -- in Indiana was that, given the affordability program, not only did the company have to engage in fewer collection activities, but they engaged in less intensive collection activities as well.

If you line up the collection activities, somebody doesn't pay their bill they might get a reminder notice, they might then get a shut-off notice, they might then ultimately have a field visit from the -- the collector. And the more intense the collection activity, of course, the more expensive that collection activity is.

And what Table 21 shows is that the number of field collection activities -- the number of the most intensive collection activities to the number of non-field to -- activities, the number of mailing activities decreased, so -- under the program. So the company was not only collecting more money, but it was collecting more money through the use of fewer overall collection activities and within the collection activities they were engaging in they were using less intense collection activities as well.

And that -- that intu -- intuitively makes sense. If you're billing a low-income customer more than they can pay, eventually you're going to engage in intense collection activities. If you're billing a low-income customer an amount that they can pay, they not only will pay more, but they'll pay that additional money with less prodding on the part of the utility as well.

MR. WILLIAM GANGE: And then, sir, can you -- well, can you put all this together in terms of the business plan -- the business case.

MR. ROGER COLTON: The -- the bottom line is -- is the net back, which I presented in the Dublin presentation. But the bottom line in this report is on page 94. And what page 94 simply indicates is that, given this Indiana evaluation, which has since been confirmed by a second evaluation using a different company and a different low-income affordability program, that -- and focussing in on the utility consequences of unaffordability, that utilities that deliver a rate-affordability program can end up spen -- collecting more money and spending less money in the process of -- of collection. And that's what Table 22 shows.

That with RAP, RAP is Rate-Affordability Program, you'll see that the company starts out in the hole, if you will, because they bill the customers on the rate-affordability program two hundred and seventy-three thousand dollars ($273,000) versus people -- low-income customers not on the program who they bill three hundred and four thousand dollars ($304,000).

But by the time you take into consideration the amount that they collect and the number of activities that they engage in in the process of collection, one (1) of the things that Table 22 shows is that the amount of payment per collection activity goes up under a rate-affordability program because -- and that occurs primarily because people will make some payments with -- without needing any collection activity, so the payment per collection activity will -- will increase and the net back actually goes up.

It's not to say that the -- the costs of the program are exceeded by the savings generated by the program, it simply is to say that in achieving those two (2) objectives that we identified, keeping people on the system and collecting money from those -- from those who we deliver services to, that the rate-affordability program will be cost -- cost effective relative to the existing alternatives.

MR. WILLIAM GANGE: One (1) of the criticisms that has been made of your report in the Manitoba Hydro rebuttal is that -- that it's inappropriate to make comparisons to the United States.

Can you comment on that?

MR. ROGER COLTON: I -- I disagree with that assertion, obviously. People, even in this proceeding, have -- have made comparisons to US utilities, and indeed the Company, in proposing its -- the low-income program that it proposed, made comparisons to US utilities.

But the -- my primary comment is that the regulatory concepts that I'm advancing are not unique to the United States. They are applicable to the United States, they're applicable to Canada, and in -- indeed, as I may have mentioned when I spoke in -- in Dublin about the concepts that we're talking about, the -- the folks there that I was speaking to were -- represented countries throughout -- throughout Europe.

So there is nothing within the utility regulatory concepts that I've been talking about, in this report and for the last hour and a half, that are unique to the United States or that would be inapplicable to -- to this utility in this province.

MR. ROBERT MAYER: Mr. -- Mr. Colton and Mr. Gange, you may be assured that neither of us sitting up here are impressed with an argument that says, We can't do it 'cause it's never been done before.

CONTINUED BY MR. WILLIAM GANGE:

MR. WILLIAM GANGE: If we could, then, Mr. Colton, could we move to Part 5, page 102, the summary of recommendations for Manitoba Hydro. If you could review those and -- and I believe that will be the conclusion of - of the direct part of your evidence. I'm sorry, starting at page 102, Part 5, page 102.

MR. ROGER COLTON: The -- the bottom-line conclusion is that I recommend that the Company adopt a low-income rate-affordability program, and the rate-affordability program should consist of the rate assistance, the rate-affordability component, which would be -- which should be a fixed credit based on 6 percent of income directed toward LICO-125 customers.

It should consist of an arrearage-management component because it makes no sense to make the bill for current service affordable if the total bill, if the total asked-to-pay amount, is made unaffordable because of a pre-existing arrears.

And, thirdly, a crisis component because low-income households not only have low-incomes, they have fra -- what's called a fragile income, an unstable income as well because they're hourly employees with unstable jobs, and there will be crises that arise, even with a rate-affordability program.

And, finally, an energy-efficiency component. I think, with the energy effic -- or I recommend with the energy-efficiency component, it be a complement to the overall program, it be targeted based upon high consumption and high credits, but that the funding of the efficiency -- of the low-income efficiency program be addressed in the normal course of addressing the funding of the Company's overall efficiency programs.

MR. WILLIAM GANGE: And that concludes your direct testimony, Mr. Colton?

MR. ROGER COLTON: Yes.

MR. ROBERT MAYER: Mr. Colton, I have -- correct me if I'm wrong. You've indicated that you have done work for Xcel Energy, admittedly out of Colorado.

Xcel Energy, at least that name, is well known to the Board and, I'm assuming, Manitoba Hydro because we sell them energy and we signed international contracts with them. So I'm assuming, therefore, they're relatively creditworthy.

Did you do this kind of work for Xcel, this kind of low -- low-income affordability for Xcel?

MR. ROGER COLTON: Yes. Xcel Energy, for reasons determined before I became involved proposed a low-income program. I was then -- I then presented testimony recommending a number of changes in their program. They -- they were new at it. Not to sound cocky, but they were new at it and I've done it for a long time, and they adopted my recommendations.

And then they actually ended up hiring me to help design their program and deliver their program and evaluate their program.

MR. ROBERT MAYER: Oh, sir, I don't know if Mr. Gange has told you, but once your report became public there seemed to be a mini-panic in some members of the business community and -- and we had presentations about Hydro not being a social welfare agency.

I guess my point is is that Xcel is certainly not a social welfare agency. Xcel paid you to do this and Xcel is saving -- is at least operating more efficiency as a re -- more efficiently with low-income customers as a result of the work that you did. Am I correct in that assumption?

MR. ROGER COLTON: That's correct.

MR. ROBERT MAYER: Thank you, sir.

THE CHAIRPERSON: Mr. Colton, before we move on to Mr. Williams for CAC/MSOS, I've got a broad question for you with respect to the business case focus of your evidence. A case that I consider to be focussed on the Utility. I had mentioned this earlier, but the situation on the floor, so to speak, is the government of Manitoba is the sole shareholder of Manitoba Hydro. And, in a sense, Manitoba Hydro is a subsidiary of the province if you want to put it in corporate terms.

So the government appoints the board of directors and the legislature sets the broad legal parameters under which the Utility operates. The same government also operates the universal healthcare scheme, also runs a social assistance and housing program through various agencies, departments, and individuals, et cetera, et cetera. You know, there's highways and everything else.

I don't know whether you're aware of this when you get into the accounting realm but the annual net results of Manitoba Hydro's operations as they are reflected in financial numbers forms one (1) component of the government's overall result on an annual basis.

In short, and within the province's summary accounts, the utility's revenues, costs, net results, as well as it's debt, for that matter, are included within the province's operations, which also includes again healthcare costs, social assistance, housing programs, et cetera, et cetera, et cetera, before arriving at what the summary result is.

Given this, I'm wondering whether, in your view, your business-case analysis could be widened -- widened, made broader.

MR. ROGER COLTON: I -- I think it could. If -- if I can spit back what I think I just heard you say, and if I'm wrong, you can correct me. But what I -- what I heard you say is that the province -- that -- that the government, if you will, owns Manitoba Hydro, is their sole shareholder.

THE CHAIRPERSON: Correct.

MR. ROGER COLTON: So when we traditionally think of an investor-owned utility, we think of what's good for the business as being what's good for the -- the investors. In Manitoba Hydro's case, what's good for the government is -- and what's good for the investors would be one and the -- the same because the government is the exclusive investor. And --

THE CHAIRPERSON: The province's taxpayers are the Utility's customers.

MR. ROGER COLTON: Yes. And so it would seem as though the business case could be widened. So, for example, if -- if we can go back to healthcare costs and with the disclaimer that I don't set myself forward as being an expert on the Canadian healthcare system, but if we could reduce the -- the government's healthcare costs by improving the affordability of home energy, we could reduce the cost to the government, which is the exclusive shareholder, or the exclusive owner of Manitoba Hydro and that could be seen in -- in a sense as being part of a business case because it's assisting the investor, and not -- you're not making the distinction between the utility as a utility and the government as -- as a -- as the government.

So I think you could br -- you could widen the business case in that sense. And that -- I ta -- and that's a real example. We know that providing affordable energy is going to improve healthcare outcomes. That's empirically established. There's no -- no question about that anymore.

We know that providing affordable energy is going to reduce homelessness to the extent that the government provides homelessness assistance, then that would benefit the -- the shareholder of the -- of the utility. So in that sense I agree that the -- that the business case could be widened.

THE CHAIRPERSON: Thank you, sir. We'll move on now to CAC/MSOS's Mr. Williams. Mr. Williams, do you want to get a start before we break for lunch?

MR. BYRON WILLIAMS: Absolutely. And, Mr. Chairman, I do have a -- a book of documents that I'll -- I'll ask Mr. Singh to -- to distribute. Lest you tremble at the size of it, it's anticipated that this -- this obviously, as the other books will be -- will be used in closing argument as well, so we're trying to kill two (2) birds with -- with one (1) stone.

And I -- Mr. Singh will collect -- correct me if I'm wrong, but I think it should be marked as CAC/MSOS-28.

--- EXHIBIT NO. CAC/MSOS-28: Book of documents

MR. BYRON WILLIAMS: He's nodding his head, so that's the -- the marking I would suggest to the Board. And if I might distribute it, I don't think I've shared it with others in the -- the room yet, so I will --

MR. ROBERT MAYER: I'm glad to see it's not RCM/TREE that's using the killing birds analogy.

MR. WILLIAM GANGE: Or killing trees.

(BRIEF PAUSE)

MR. BYRON WILLIAMS: And, Mr. Chairman, just for the Board's information, in -- in the book of documents are excerpts from a -- a number of matters already on the record. There are two (2) exceptions to this, which I've discussed with My Learned Friend, Mr. Gange. And if you wanted to -- to flip to page 45 for just one (1) second, 45 with my beautiful printing in the top right corner, you'll see a -- the beg -- I'll just wait until everyone has it.

You'll see an excerpt from a two -- Acceptable Living Level report from 2003. And this is a document that was cited in -- in Mr. Colton's evidence. So after sharing the information with Mr. Gange, we've included it. So it's -- it's not something that was on the record but it was cited in Mr. Colton's evidence, and -- and we've shared that with them. And my understanding is that Mr. Gange has no objection to putting that on the record.

And, secondly, I believe at page 78 of the book of documents in the top right-hand corner -- page 78, top right-hand corner, there's also a document at the top of the page, WINs, W-I-N-S, at the top, and it's titled "Private Employers and Public Benefits" by Geri, G-E-R-I, Scott.

And again, Mr. Chairman, this was a document that was cited in the -- the reports of Mr. Colton and we've shared it with My Learned Friend, Mr. Gange. And my understanding is that he has no objection to those excerpts being included on the record.

Is that correct, Mr. Gange?

MR. WILLIAM GANGE: Yes, that's correct.

(BRIEF PAUSE)

CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

MR. BYRON WILLIAMS: Professor Colton -- professor, excuse me, Mr. Colton. I apologize for that. I just -- and if -- if I could, one (1) more introductory comment, Mr. -- Mr. Chairman and Mr. Vice-Chairman.

Most of my cross-examination will cover the ambit of -- of this book of documents. For a few moments you -- you also may want to have at hand the -- the entire report by Mr. Coleman -- Colton on home energy affordability. I'll be focussing on some of the early pages, Mr. Colton. Pages 1 through 7. Just -- so if you want to keep that at hand, and that's your report, Mr. Colton. I see you nodding your head, so I'm taking that you have it near at hand. And we'll get to that in -- in just a few minutes.

And Mr. Colton, I'm going to start off just about where Mr. Gange left off, just before your conclusion. And you were talking, you'll recall, with him about the comparability of -- of Canadian and American programs, correct?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: You recall that conversation?

MR. ROGER COLTON: The comparability of Canadian and American jurisdictions.

MR. BYRON WILLIAMS: Yeah. And you're not going to find any disputes from my clients in terms of the -- the utility of the lessons we can gain from the United States, but we'd like your assistance in understanding a little bit more about how the systems actually work and interact in the United States.

So I'm going to ask you to turn to page 9 of the book of documents. Page 9 in the top right-hand corner. And you'll see, if you flip over one (1) page to your left, that's a -- an excerpt from a report you did apprise from 2007, and it's a document you're aware is on the record in this proceeding, sir?

MR. ROGER COLTON: Yes.

MR. WILLIAM GANGE: And, Mr. Chair, before Mr. Williams begins his question on this, I just raise -- or draw to your attention the fact that this report was also put on the record at the 2008 GRA through the evidence of Mr. Weiss. You will recall that we had Mr. Weiss. He did not appear, he testified just in his written testimony, but he atta -- appended this report to his testimony in the 2008 hearing.

CONTINUED BY MR. BYRON WILLIAMS:

MR. BYRON WILLIAMS: And, Mr. Cols -- Colton, just at the high level in -- in terms of -- and I'm speaking not of weatherization. I use high level, so does Mr. Colton, Mr. Vice-Chair, I -- I've heard him say it.

At the high level, Mr. Colton, in terms of -- and I want to focus -- focus on low-income rate affordability not weatherization. In terms of programming in the United States we have, first of all, federal programming through LIHEAP, L-I-H-E-A-P. You're -- is that correct, sir?

MR. ROGER COLTON: There is a federal

fuel assistance program called LIHEAP, the Low-Income Home Energy Assistance Program.

MR. BYRON WILLIAMS: Thank you for that. And as well, apart from LIHEAP, all letters capitalized, there was also state or -- and/or local assistance in many states as well. Would that be fair, sir?

MR. ROGER COLTON: There are -- there are states that provide state-funded assistance and there are states that provide ratepayer-funded assistance, so yes. Not so much local, but state programs.

MR. BYRON WILLIAMS: And I'm -- I'm just using the words that you -- you set out in -- in this specific paragraph.

And in terms of the states which was, in 2005, about 2.3 billion in -- in funding, about 85 percent of that would be ratepayer assistance. Would that be your understanding as well, sir? It's not on this page, but you'll accept that subject to check?

MR. ROGER COLTON: Tell me those numbers again?

MR. BYRON WILLIAMS: Well, first of all, in 2005 I'll suggest to you that there was about 2.3 billion in funding for state and -- and local low-income energy programs.

Is -- was that your understanding as well?

MR. ROGER COLTON: I accept that number.

MR. BYRON WILLIAMS: And roughly 85 percent of that was ratepayer-funded.

Would that be your understanding?

MR. ROGER COLTON: I would accept that.

MR. BYRON WILLIAMS: And for a second, Mr. Colton, in terms of going back to the federal program, being LIHEAP -- and we don't need to do an extensive dissection of the program, but just in terms of its eligibility criteria, my understanding in terms of eligibility criteria for LIHEAP currently is that grantees have the flexibility to serve households with at least one (1) member under federal programs such as temporary assistance for needy families, supplemental security income, food stamps, and certain need-tested veteran's benefits.

Would that be your understanding as well, sir?

MR. ROGER COLTON: Yes. The -- the names of those programs may have changed, but yes.

MR. BYRON WILLIAMS: I was going off a current website, so I hope they -- they haven't changed lately. And just for my understanding and for the understanding of my clients, would those programs all be means tested or needs tested, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: Now, going back to the States, Mr. Colton, the States in terms of low-income programming, would it be accurate to -- to say that, first of all, every -- every state -- within every state there is a LIHEAP program?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And, in effect, the existence of a LIHEAP program in every state creates a built-in infrastructure for delivering benefits to low-income households. Would that be fair, sir?

MR. ROGER COLTON: It creates a built-in infrastructure for delivering federal benefits to low-income customers, to low-income households, yes.

MR. BYRON WILLIAMS: And, indeed, many ratepayer-funded programs, in terms of low-income rate affordability, have chosen to either integrate or coordinate the delivery of their benefits with LIHEAP at the state level. Would that be fair, sir?

MR. ROGER COLTON: Absolutely. Yeah, it is considered to be a good thing for ratepayer affordability programs and the federal fuel assistance program to be integrated and coordinated.

MR. BYRON WILLIAMS: And, indeed, in some programs you can almost be -- you can -- by being in one

(1) -- in -- in LIHEAP at the federal level, you might be automatically enrolled in the -- in the -- the state-level low-income affordability program as well, sir. Is that correct?

MR. ROGER COLTON: You would be automatically determined to be income certified, yes.

MR. BYRON WILLIAMS: And one (1) of those jurisdictions would be New Jersey, and you can turn to page 20 of the book of documents. It may not be on that page specifically, sir. I may have mis -- mis -- one (1) second, please. Oh, yeah, actually, it is, if you're looking for -- if you are looking for a reference, sir, at page 20 of the book of documents. Indeed, in New Jersey, they enrolled more than one hundred thousand (100,000) low-income customers in their program using automatic en -- enrollment.

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And -- and I'm -- if we look to New Jersey -- and, again, if you're looking for a reference we can probably pull over to -- to page 22 of the book of documents. But you'll agree with me that, in New Jersey, they have been able to -- to serve a, in quotation marks, "...relatively high proportion of households in terms of their low-income affordability program," or USF in New Jersey, because of the linkage with LIHEAP and other programs such as food stamps. Would that be fair, sir?

MR. ROGER COLTON: I would agree that, to the extent that a state such as New Jersey can link its program and -- to a public assistance program for purposes of income certification, that that increases enrollment.

MR. BYRON WILLIAMS: In essence, they're able to build on the administration of other means-tested programs, correct?

MR. ROGER COLTON: I agree with that.

MR. BYRON WILLIAMS: And they're able to enhance eligibility by, in essence, I don't know if you're familiar with this, but picking off the low-hanging fruit of other programs?

MR. ROGER COLTON: I'm not sure what you mean by either --

MR. BYRON WILLIAMS: That's okay, sir. And you don't need to turn there, but certainly as part of your description of best-in-class low-income programs which you performed for Hydro-Quebec, you -- you indicated that a key role for state and federal government agencies was to serve as a frontline in determining -- determining income eligibility for low-income rate-affordability programs.

Would that be fair, sir?

MR. ROGER COLTON: I don't remember if I said that for Hydro-Quebec, but I certainly agree with that statement.

MR. BYRON WILLIAMS: And would you agree, sir, that the US experience suggests that persons served by a social agency via means-testing programs are significantly more likely to both enlist and to be re-certified in low-income rate-affordability programs?

MR. ROGER COLTON: I would agree with that, enlist meaning enrolling in the program and becoming a participant in the -- the program, and re-certifying meaning -- meaning re-verifying their income on an annual or biannual or some periodic basis.

MR. BYRON WILLIAMS: And, Mr. Colton, I -- I thank you for that. That's a more careful way of phrasing the question, so. Mr. Chairman, it's -- I'm -- I'm moving to another area, although related. I can proceed for another ten (10) minutes or I can -- I can --

THE CHAIRPERSON: What we'll do then, we'll come back at --

MR. BYRON WILLIAMS: 1:00?

THE CHAIRPERSON: -- one o'clock instead of 1:15. Mr. Williams, do you have an estimate for how long you'll require?

MR. BYRON WILLIAMS: I do, sir, and it's the same estimate that I gave to Mr. Peters.

THE CHAIRPERSON: Very good.

MR. BYRON WILLIAMS: So I expect to be somewhere between an hour and a half and two (2) hours. We've got a very fair witness, so I -- I don't expect any major difficulties.

THE CHAIRPERSON: Very good. We'll see you all back at 1:00. Thank you.

--- Upon recessing at 11:57 a.m.
--- Upon resuming at 1:08 p.m.

THE CHAIRPERSON: Okay. Welcome back. Mr. Williams...?

MR. BYRON WILLIAMS: Yes, thank you, Mr. Chair. Good afternoon, Mr. Vice-Chair.

CONTINUED BY MR. BYRON WILLIAMS:

MR. BYRON WILLIAMS: I'm -- I'm not sure we can match the attraction of a jazz band, but, Mr. Colt -- Mr. Colton, if you could turn to page 33 of the CAC/MSOS book of documents.

Mr. Chairman, if you'll excuse me for one (1) second, Ms. DeSorcy's here and I realize I've neglected to share any paper with her, so goodness knows there's enough of it here, so I'll -- excuse me for one (1) second.

(BRIEF PAUSE)

MR. BYRON WILLIAMS: And, Mr. Colton, just -- you'll -- you'll accept, hopefully, subject to check, that what follows after page 33 is an excerpt from material you filed in this proceeding from a report you prepared for Hydro-Quebec titled, "Best Practices Low-Income Affordability Programs."

Will you accept that, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And although I don't have a -- essentially, this paper examined low-income afford -- affordability programs currently in operation in the US and determined by the author, you, to be -- and your colleagues, to be best-in-class. That was what the paper purported to do, plus a -- a French one (1) as well. Would that be fair, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And if we could for just a couple moments, we're going to stay in the US for maybe fifteen (15) minutes or so and then move to

Manitoba. If you could go to page 38 in this report for just one (1) second, page 38 in the top right-hand corner. And I hope the photocopying turns out okay, sir, but I'll give you just a quick -- a quick moment to look at the -- the -- the marked references to the -- the state of Indiana at the top and at the -- towards the bottom of that page.

(BRIEF PAUSE)

MR. BYRON WILLIAMS: And -- and, Mr. Colton, again, very quickly in Indiana, although we will come back to it, you'll agree with me that -- that one (1) of the drivers in Indi -- Indiana for the establishment of the USP was a dramatic rise in prices. Would that be fair, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And in that -- in -- in terms of the origins of the -- the low-income affordability program in that state, you might distinguish it from the experience in other jurisdictions where often it arose out of a move to a retail choice environment. Would that be fair, sir?

MR. ROGER COLTON: There was an entire period where the move to retail choice was accompanied by the adoption of low-income programs. That period has since ceased, but the adoption of low-income programs continues.

MR. BYRON WILLIAMS: And we'll get to that in a second, we'll get to Maryland in just one (1) second. And it would be fair to say as well that Indiana, that program was adopted at the behest of the utilities, the respected utilities, as opposed to a consumer group or a regulator. Would that be fair, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: Now just if you could flip over two (2) pages to page 39(a). And at the bottom of that page you'll see a reference to -- to Maryland. And as I understand it, the Maryland EUSP was originally created as part of that state's move to -- to retail choice. Would that be fair, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: But as you set out on the next page, if you're looking for a reference, for a competitive market in Maryland did not develop for residential customers.

Would that be fair? That's your understanding?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: So the -- the -- but the EUSP in Maryland was kept in -- in response to quite stiff price increases as that state moved out of price caps. Would that be fair, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: Now, flipping just a -- back a couple of pages to page 34 in this document, you'll see reference to what appears to be one (1) of your favourite programs, which is the New Jersey program.

Do you -- do you see those references, sir?

MR. ROGER COLTON: Yes, without agreeing that it's one (1) of my favourite programs.

MR. BYRON WILLIAMS: Okay.

MR. ROGER COLTON: But, yes, I see the reference.

MR. BYRON WILLIAMS: You certainly describe it as one (1) of the best designed and implemented utility rate-affordability programs in the United States, correct?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And one (1) of the reasons for doing that is because, in your view, it leads the nation, at least in 2007, in its ease of program entry. Would that be fair, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: Now, if you would, for a -- turn back to the APPRISE document, the reference I'm referring to is page 22 at the top right-hand side.

MR. ROGER COLTON: Okay.

MR. BYRON WILLIAMS: And, Mr. -- Mr. Colton, I'm specifically referring you to Table V-2, which sets out characteristics of households served by affordability programs. And I have a number of questions about New Jersey, as set out on this table, but would I be correct in interpreting this table as saying that, at the time this table was correct -- was constructed, the -- in -- in terms of the whole target population of the New Jersey USF -- USF, it was serving approximately 45 percent of those? Is that correct, sir?

MR. ROGER COLTON: It was serving approximately 45 percent of the total eligi pop -- eligible population, yes.

MR. BYRON WILLIAMS: And just moving to the right-hand column, to make sure that I do understand that, in terms of those with their incomes at or -- or -- I guess, at or below 100 percent of the federal poperty -- poverty line, it was serving just a bit less than half. Would that be correct?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: Now, one (1) column

that -- that my clients and I may need some assistance with is the energy-burden column. And let's look at New Jersey again in terms of electric burden. When I see the less than 10 percent there, would I be correct in suggesting to you that what that means is that 66 percent of the New Jersey popul -- well, maybe I'll get you to interpret it for me, sir, because I'm not quite sure I understand it.

What I'm asking you, sir, is: Does -- do those figures represent the -- the target population in terms of energy burden or is this the outcome of the program?

MR. ROGER COLTON: No. This is the -- the pre-program, pre-benefit energy burdens.

MR. BYRON WILLIAMS: Okay. So just -- and what I would take this to suggest, then, is that, of the -- the 45 percent of the population being served by New Jersey, 66 percent of those going into the program had an energy burden on the electric side of less than 10 percent.

Is -- is that a correct way to interpret that, sir?

MR. ROGER COLTON: Yes. An -- an electric burden. Is that what you said?

MR. BYRON WILLIAMS: And -- yes.

MR. ROGER COLTON: Yes, had an electric burden of less than 10 percent.

MR. BYRON WILLIAMS: Okay, and I can -- I can figure out the rest of it from there. We're going to come back to this table in just a couple of seconds, but if you could go back to page thir -- up to page 37 in your -- in -- in this book of documents. And you'll see, at the top of page 37, a reference to Columbia Gas.

Do you see that, sir?

MR. ROGER COLTON: I do.

MR. BYRON WILLIAMS: And at the time you prepared this report on behalf of Hydro-Quebec, in your view, Columbia Gas was one (1) of Pennsylvania's best-designed and most mature low-income rate-affordability programs?

Would that be fair, sir?

MR. ROGER COLTON: I agree with that.

MR. BYRON WILLIAMS: And -- and just while we're on page 37 for a second, in terms of its program, its participation in terms of eligibility was comprised of persons with income eligibility as of 150 percent of the federal poverty level plus clients who were payment troubled. Is that correct, sir?

MR. BYRON WILLIAMS: Now if you'll turn--

MR. ROGER COLTON: Plus -- yes, I agree

with that.

MR. BYRON WILLIAMS: And, Mr. Colton, I don't mean to -- to cut you off at any point in time. So if -- please finish any answers if -- if you've -- if you've left anything incomplete.

Please turn back to page 35 of -- of this -- this document. In terms of Columbia Gas, sir, would I be correct in suggesting to you that of its eligible population, its low-income eligible population, it was serving roughly 40 percent. Would that be fair?

MR. ROGER COLTON: As of December 31, 2006, yes.

MR. BYRON WILLIAMS: And have you revisited that figure since then, sir?

MR. ROGER COLTON: I -- I'm involved with a Columbia Gas case even right now. And the Columbia Gas cap participation level has increased somewhat but not -- not substantively.

MR. BYRON WILLIAMS: A bit over 40 percent?

MR. ROGER COLTON: Yeah, more -- more than forty (40) but less than fifty (50). They certainly haven't exceeded 50 percent.

MR. BYRON WILLIAMS: We will leave the United States for a while in just a second, but if you turn back to page 22 of your -- of -- of the book of documents we'll return to the APPRISE Table V-2 which is a look of -- look at characteristics of households, sir, by affordability programs. Do you have that, sir?

MR. ROGER COLTON: I do.

MR. BYRON WILLIAMS: And the Maryland EU -- EUSP is again another one that you studied as -- for Hydro-Quebec as one of the, you know, best in class EUSP-type programs. Do you recall that, sir?

MR. ROGER COLTON: Yes. You're on what page again?

MR. BYRON WILLIAMS: I'm at page 22, the top right-hand corner, sir. And where I'm referring you to on the table, sir, is MD-EUSP.

MR. ROGER COLTON: I see you. Yes.

MR. BYRON WILLIAMS: And would I be correct in suggesting to you that in terms of their eligible population at the time this table was prepared they were serving 33 percent, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And, sir, if you would turn down on the same page just to the -- the first paragraph under that table. Your evaluation data showed in this study that only one-third (1/3) to less than one-half (1/2) of the eligible households were being served by these programs. Would that be fair?

MR. ROGER COLTON: Yes. With these programs referring to the state programs that we're discussing, yes.

MR. BYRON WILLIAMS: And if I could ask you to turn over one (1) more page. You see a heading "Affordable -- Affordability Program Retention and Re-Certification." Do you see that, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And by re-certifying, I'm referring and I presume you're referring to the discussion you had about persons re-proving their eligibility after a certain period of time.

Is that what you mean by that, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And what you are -- what you are -- what you are suggesting here in -- from -- as in -- at least in terms of this study, was -- was that re-certification was a significant challenge for these pro -- programs with only forty (40) to sixty-five (65) percent re-enrolling or re-certifying.

Is that a cor -- correct interpretation of this, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And going one (1)

step further, would I be correct in suggesting to you that a large percentage of those who re-certify or re-enroll are those who -- who would likely also be enrolled in another means-tested government program like food stamps or LIHEAP.

Would that be correct, sir?

MR. ROGER COLTON: I would agree that integrating in afford -- a rate-affordability program with an existing means-tested program that would otherwise entail income re-certification assists the income re-certification for the rate-affordability program. Is that what you asked?

MR. BYRON WILLIAMS: I don't -- I don't -- I'm not sure I asked that, sir, but it's not a -- not a bad answer. Let me -- let me try and -- and the problem is not in the responder, it's in the questioner, and I apologize for my fatigue.

You've -- you've identified that a major problem is -- not a major problem, excuse me, a major challenge is re-enrollment, correct?

MR. ROGER COLTON: Yes. Once we get people into a program it is a challenge to keep people in the program.

MR. BYRON WILLIAMS: And I'm going to try the question in a different way. The biggest challenge

I'm going to suggest to you in keeping people in the program, getting them to re-enroll, is not with those who are in a parallel or similar means-tested social-assistance program, but those who are in the paid labour force or otherwise.

Would you disagree with that, sir?

MR. ROGER COLTON: I would -- I would not disagree with it, so I -- since there are a couple negatives there. I agree that the biggest challenge is the population that is not in another means-tested program.

MR. BYRON WILLIAMS: The man or the woman, mini -- minimum-wage job, struggling to kind of keep things together, they're the biggest challenge, pe -- persons like that?

MR. ROGER COLTON: No, it doesn't make any -- it doesn't make any difference. The -- the characterization that you just made isn't the important characterization. The -- the distinction is that you're -- if you're in a means-tested program and there is an existing process that the utility can piggyback on, it helps the utility to keep people on the program to have that piggyback.

If people aren't on a program that they can piggyback on, then it is a greater challenge, and it makes no difference whether you are deep poverty or mid-poverty or the working poor. That's not the distinction.

MR. BYRON WILLIAMS: And I apologize for that. The -- the biggest challenge is those who are not on an -- a similar means-tested program in terms of re-certification?

MR. ROGER COLTON: I agree with that.

MR. BYRON WILLIAMS: I'm going to turn to an excerpt from your report on welfare pov -- excuse me, on -- on -- at page 49 of the book of documents, an excerpt from "Home Energy Affordability in Manitoba." And, Mr. Colton, I'm going -- Mr. Colton, I'm going to direct your attention to the next page, page 50, where -- where you -- you'll see in the last paragraph that you used the word "el -- welfare income" on page 50.

Do you see that, sir?

MR. ROGER COLTON: I do.

MR. BYRON WILLIAMS: And I'm not -- just for the purposes of clarifying terms, I'm going to tell you that I -- I tend to use welfare and income assistance interchangeably. So you understand that? So you may hear sometimes welfare income assistance from me?

MR. ROGER COLTON: I -- I will accept that when you use those terms you mean them to be interchangeable.

MR. BYRON WILLIAMS: Okay. And I'm -- I'm going to define what I mean by income assistance just so you understand what I mean by that as well. And what I mean by income assistance or welfare, when I -- I reference those I'm referring to persons eligible for income or general assistance under the Employment and Income Assistance Act in Manitoba whether they're single-person employables, persons with disabilities, or parents.

Do you understand the way I'm -- I'm intending to use that, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: Now, Mr. Colton, at page 50 of this excerpt and again on page 51 you make a thoughtful ref -- comparison between welfare income in this province, and you compare it to a number of commonly accepted poverty measures. Would that be a fair statement, sir?

MR. ROGER COLTON: Yes, with the exception that I'm reporting what the National Council on Welfare -- the comparisons the National Council on Wel -- Welfare made. These -- these weren't my comparison -- comparisons. I'm setting forth the comparisons that I cite here.

MR. BYRON WILLIAMS: And I'll -- I'll go

into the comparisons in a bit more detail in just one (1) moment. But really, the -- the point that you're making on these two (2) pages using data from the National Council of Welfare is that the inadequacy of income for low-income households is particularly apparent when you compare the income of persons under welfare with commonly utilized measures of poverty.

That's what these two (2) pages are telling us, correct?

MR. ROGER COLTON: Well, there -- there are two (2) things that these pages tell us. The -- the first is what you just said. The -- the second involves the -- a simple caution about using averages and that incomes can vary widely from the average. And that, in particular, as the National Council on Welfare points out that the incomes for these particular populations are significantly below average.

MR. BYRON WILLIAMS: In essence, what the National Council of Welfare is telling us is that persons on welfare in Manitoba are among the poorest of the poor.

Would that be fair?

MR. ROGER COLTON: I -- I would agree with that. But again, it's -- one (1) of the messages to see here is the difference in talking about -- people tend to think of folks on welfare. Well, one (1) population of folks on welfare have a pop -- have an income of twenty-one thousand (21,000), and another population has an income of fifty-eight (58) -- fifty-eight hundred (5,800).

So it is dangerous to think about folks on welfare. You need to look at the -- the sub-populations.

MR. BYRON WILLIAMS: These are my clients, Mr. Colton, I hear you. And I just for a moment -- and this is not in the book of documents, but it's Table 1 from you -- from your paper on home energy affordability in Manitoba. So that's Table 1, page 2.

Do you have that in front of you Mr. Colton?

MR. ROGER COLTON: I do.

MR. BYRON WILLIAMS: And -- and I thank you for your guidance about the importance of distinguishing between various welfare populations in terms of persons under different categories. And basically when I -- I look at those single employables with a welfare income of fifty-eight hundred (5,800) on Table 2, I see that they are -- are in the bottom two (2) tiers of the income tiers that you've set out in Table 1.

Is that right?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: Likewise, persons

with disability are in that -- those bottom two (2) tiers as well, sir, correct?

MR. ROGER COLTON: I agree with that.

MR. BYRON WILLIAMS: And likewise, lone parents with one (1) children at a bit less than fifteen thousand (15,000) from Table 2 are in the -- the third-lowest tier, a very low tier, and slightly below the income midpoint there of fifteen thousand (15,000).

Would that be right, sir?

MR. ROGER COLTON: I agree.

MR. BYRON WILLIAMS: And even if we -- we look to the couple with two (2) children while they're in the fourth tier at twenty-one thousand (21,000), they're well below the income midpoint for that tier.

Would that be fair, sir?

MR. ROGER COLTON: I agree.

MR. BYRON WILLIAMS: Now if you can't enter -- answer this, Mr. Colton, I'll understand, and you might want to keep that material nearby, but are you in a position to comment on the number of welfare or income-assistance cases in the program in the most recent fiscal year?

Have you examined that issue, sir?

MR. ROGER COLTON: No.

MR. BYRON WILLIAMS: Okay. So you didn't

-- you've not re -- reviewed any recent reports for Family Services in this province?

MR. ROGER COLTON: No.

MR. BYRON WILLIAMS: Okay. You would not -- leaving that aside then, you would not disagree with the suggestion that the welfare or income-assistance recipient population constitutes a significant portion of the low-income population in Manitoba?

MR. ROGER COLTON: I -- I would have no basis to agree or disagree.

MR. BYRON WILLIAMS: And that's because you've not familiarized yourself with the numbers.

MR. ROGER COLTON: Right. I -- I haven't looked at the numbers. Intuitively, what -- what you say, or what your que -- the factual ba -- basis of your question makes sense, but I haven't looked at the data to know whether that intuitive response is correct or not.

MR. BYRON WILLIAMS: And -- and likewise, in terms of persons on welfare as compared to Manitoba Hydro low-income ratepayer, that population, you're not in a position to comment on what relative percentage they occupy?

MR. ROGER COLTON: That's correct.

MR. BYRON WILLIAMS: But in the course of your paper, sir, you certainly focussed on this population as being illustrative of the depth of poverty and the -- in -- in this province, correct?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And when you spoke with the Board earlier today, I believe referring to pages 6 and 7 of your evidence in this -- this same area, sir, you -- you recall a discussion with the Board in terms of actual versus affordable utility bills.

Do you recall that, sir?

MR. ROGER COLTON: I do.

MR. BYRON WILLIAMS: And if we look to the examples that you chose on pages 6 and 7, being single employable; person with a disability; lone parent, one (1) child; and couple, two (2) children, those look uncannily like the information from Table -- Table 2, your -- your welfare population.

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And so the affordability gap of which you spoke with the Board this morning was with regard to the welfare population you -- in terms of these examples?

MR. ROGER COLTON: The illustrative examples that are on pages 6 and 7 are clearly the -- the same welfare populations that were identified in the table we've been discussing, yes.

MR. BYRON WILLIAMS: If you turn to page 57 of this book of documents at the top, sir, page 57 at the top, you'll see a statement:

"No matter how well a low --"

I'll just wait till Professor Miller gets there. You'll -- page 57 at the top, you'll see a statement that:

"No matter how well a low-income household manages its payments, it is not possible to stretch an income of eight thousand eight hundred and sixteen dollars ($8,816) to cover expenses of fifteen thousand three hundred and twenty-eight dollars and thirty-one cents ($15,328.31)."

Do you see that, sir?

MR. ROGER COLTON: Yes. You misread the numbers, but, yes, I see that statement.

MR. BYRON WILLIAMS: I think I misread the first number. Both numbers. Okay. Well, the court reporter will no doubt correct me, as you kindly have.

That -- that information that you were -- you were citing is drawn from the Ford and Harris report, which is set -- set out at this -- this footnote -- footnote 60, sir. Is that right, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And I can take you there if you wish because it's included in the book of documents, that excerpt, but I -- I wonder if you would agree that the individual that Ford and Harris are referring to is a person on provincial disability ass -- assistance, or, as you call it, welfare? Would you accept that, sir, or would you like me to refer it for you there?

MR. ROGER COLTON: I -- I would accept it, subject to -- subject to check, just to facilitate the conversation.

MR. BYRON WILLIAMS: Okay. And -- and, sir, if you are looking at the break to check, you can refer to top right-hand corner, page 47, which will set out your reference, and the page which follows, page 48, which sets out that this is a person living on provincial disability assistance. And -- and thank you for agreeing subject to check. I appreciate that.

MR. ROGER COLTON: I'll do it.

MR. BYRON WILLIAMS: Again, the point you make with this statement is that for -- for the poorest of the poor, those persons on welfare or income assistance, it's tremendously challenging to make ends meet.

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: Sir, if you would -- if you would turn to page 60 of the book of documents, which is a -- is again an excerpt from your -- your evidence about home energy affordability in Manitoba. That's page 60 in the top right-hand corner.

Under "Intake," sir, you will see on the last line of that -- that paragraph the words "Social Assistance Program." Do you see that, Mr. Colton?

MR. ROGER COLTON: I do.

MR. BYRON WILLIAMS: And five (5) lines up from that you refer to federal and provincial agencies with lists of social-assistance program participants. Do you see that reference as well?

MR. ROGER COLTON: I do.

MR. BYRON WILLIAMS: And I presume that one (1) of the provincial social assistance programs you refer to is income assistance or -- or welfare. That's one (1) of them?

MR. ROGER COLTON: Yeah, I -- my comment wasn't that specific, but that would be a program that one would look to to coordinate and integrate a ratepayer-funded affordability program with.

MR. BYRON WILLIAMS: And, Mr. Colton, if -- if you're not able to elaborate further, I'll understand. But, when you referred to federal or provincial social-assistance programs did you have any -- any specific ones in mind be -- besides welfare? You're shaking your head.

MR. ROGER COLTON: And you didn't hear that?

MR. BYRON WILLIAMS: I -- when I do, I do, actually.

MR. ROGER COLTON: I did not -- I did not have a specific one in mind. As we've talked about, it simply behoves a utility to work with available federal and provincial programs. It improves the effectiveness and efficiency of the -- the ratepayer-funded program, but I did not have any specific program in mind.

MR. BYRON WILLIAMS: And -- and there's no -- I just -- that was a question of clarification.

The -- the social assistan -- type of social-assistance programs you have in mind, sir, would they be means-tested ones? Is -- is that what you have in mind, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: If you can turn to page 65 of this book of documents, we're still in your evidence in terms of designing home energy affordability. Just -- just one (1) second, sir.

And in terms of your expectation for the Manitoba program, Mr. Colton, your expectation was that the low-income affordability rate, or rate discount, would achieve about a 40 percent participation rate of the eligible population. Would that be correct, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And just in terms of -- to clarify my understanding of what you define as the eligible population, would I be correct in suggesting that that eligible population is Manitoba Hydro ratepayers with incomes at or below 125 percent of LICO, L-I-C-O, and energy affordability issues in that more than 6 percent of their income goes to energy costs.

Would that be right, sir?

MR. ROGER COLTON: No. You were right until you added the -- the percentage of income constraint as your last constraint. One of the reasons people don't participate in a program is because their energy burdens wouldn't exceed the level at which they would receive benefits through the program.

So if -- so the people who have energy burdens of 6 percent or less would fall in the 60 percent of non-participants simply because they would otherwise not benefit from the program.

MR. BYRON WILLIAMS: So they would still

be part of the -- and let me just be clear here that the eligible population would be all Manitoba Hydro ratepayers with incomes at or below 125 percent of LICO?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And their level of energy burden would be a factor that would no doubt affect choices whether or not to participate.

That was the second part you were indicating?

MR. ROGER COLTON: Yes, it's more than that. Part of it is that they would choose not to participate, and part of it is that even if they chose to participate they wouldn't receive a benefit from the program. So they wouldn't be enrolled in the program because the program wouldn't provide a benefit to them. So you put it in terms of the customer choosing to participate, and it's really more than that. That's part of it, but it's not all of it.

MR. BYRON WILLIAMS: And just to make sure I have your point -- your points, which are twofold, they might choose not to participate or they might seek to participate but would not be able to be enrolled in that their energy burden was less than 6 percent?

MR. ROGER COLTON: That's correct. So -- sorry to be pro -- troublesome. We're talking --

MR. BYRON WILLIAMS: You're not being. You're fine.

MR. ROGER COLTON: We -- we've been talking about the 6 percent. The 6 percent applies to electric space heating. The -- that 6 percent is 3 percent for electric base load. So we're sa -- we've been saying 6 percent, whereas in fact we should be saying 6 percent for electric space heating, 3 percent for electric base load. But instead of saying all of those words, we're going to say 6 percent as demarcating the affordable -- the applicable affordable burden.

MR. BYRON WILLIAMS: We're agreeing, sir, to use 6 percent energy burden as a shorthand for -- for both -- both characteristics.

MR. ROGER COLTON: Yes, okay.

MR. BYRON WILLIAMS: Mr. Colton, you -- you probably don't need to go here. To the extent that there is a gap between program costs and costs re -- reductions flowing to the Corporation, you would expect that that recovery would be primarily through a fixed meter charge. Is that -- that right, sir?

MR. ROGER COLTON: I'm sorry, can you repeat that question again?

MR. BYRON WILLIAMS: I'm going to make it shorter. Funding for the program, such as this, will come via a fixed meter charge?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And the figure you used this morning in your discussion with the Board for residential customers would be one dollar ($1) a month based on the assumption that the -- the costs for the -- your menu of affordability programs would be spread across the entire rate base. Is that right?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And you don't need to turn here, although I -- I have a reference for you. You also have calculated that if it was focussed entire -- that recovery was focussed entirely on the residential class, that amount would be two dollars and seventy five cents ($2.75) a month. Do you recall that, sir?

MR. ROGER COLTON: I recall making the -- the calculation, but I don't recall what the number is.

MR. BYRON WILLIAMS: Okay. If you need a reference, it's in the book of documents at page 7. Not a lot turns on it. I just wanted to make sure I -- PUB 11(b).

MR. ROGER COLTON: I remember answering the data request. So I -- I will agree that whatever I said in response to that data request is -- is what the appropriate answer is.

MR. BYRON WILLIAMS: Mr. -- Mr. Colton, thank you for that. Going back to page 60 of the book of documents, you'll agree with me that what you do on that page is outline the basic steps in building a rate-affordability program, correct?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And under an -- item number 3, "Intake," focussing you on the second line through the fourth line, you envision the primary intake being via a sharing of lists with federal and provincial agencies, re -- re -- relating to means tested social-assistance program participants, correct?

MR. ROGER COLTON: What I say is that that's what -- what should occur. As we had a conversation earlier today, we -- we build a program to make the program work. So we start out with this as being the ideal and -- but the fact of the matter is that as -- as one builds the program, you start with the ideal, figure out what works, and hopefully the ideal will work. And if the ideal doesn't work, then you move onto the -- the less than ideal but this is what should occur.

MR. BYRON WILLIAMS: The ideal would be the primary intake being through interaction with a parallel social-assistance list, correct?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And in terms of re-certification, directing your attention to -- towards the bottom of the page, the third line in that paragraph, in the ideal you expected that most participants to have their income re-certified automatically with -- via contact with the appropriate social-assistance agency, correct?

MR. ROGER COLTON: I agree.

MR. BYRON WILLIAMS: It's fair to say that in your ideal, your rate-affordability program relies heavily, though not exclusively, on social-assistance directories. Would that be fair?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: Mr. Colton, at page -- page 1 of the -- the book of documents, you'll see your response to CAC -- do you have that, sir?

MR. ROGER COLTON: I do.

MR. BYRON WILLIAMS: You'll see your response to CAC/MSOS number -- number 1. And I'm not asking for your legal opinion, but at the time this interrogatory was posed and answered, it -- it is correct to say that in preparing your evidence you hadn't re -- reviewed the employment and assistance -- Employment Income Assistance Act or Employment and Income Assistance

Regulation. Would that be fair?

MR. ROGER COLTON: It is correct to say that I had not reviewed those statutes and regulations, yes.

MR. BYRON WILLIAMS: Would it also be fair to say that at the time that you prepared your evidence you had not reviewed the -- well, let me -- let me back up a second.

Are you aware whether or not there is an employment and income assistance manual set out on the Government of Manitoba website?

MR. ROGER COLTON: No. No, I'm --

MR. BYRON WILLIAMS: So --

MR. ROGER COLTON: -- not aware.

MR. BYRON WILLIAMS: Yeah. So it would be fair to -- okay, that's fine. Subsequent to the preparation of your evidence, have you reviewed the Act or Regulation, sir?

MR. ROGER COLTON: No.

MR. BYRON WILLIAMS: You have been following the record of this proceeding as it relates to your evidence. Would that be fair?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And you've reviewed the rebuttal evidence of Manitoba Hydro as it relates to your evidence as well, sir. Would that be fair?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And you're aware that in their evidence they assert that -- that for persons on income assistance or welfare, their utility bills are covered by income assistance in their entirety. Are you -- would that be -- are you aware of that -- that that's their assertion, sir?

MR. ROGER COLTON: I'm aware that that is what the Company has asserted, yes.

MR. BYRON WILLIAMS: And have you investigated that any further, sir?

MR. ROGER COLTON: No.

(BRIEF PAUSE)

MR. ROGER COLTON: Let me back up for a minute. There -- there was an undertaking posed to the Company to provide the -- the number of people with their energy bills paid in full. And I have reviewed that undertaking. I don't have it readily at hand. I would need to look for it, but when I -- when I say I haven't reviewed it any further, I did have occasion to be aware of that undertaking and to respo -- to review the response of that undertaking when it was provided.

MR. BYRON WILLIAMS: Just -- and staying on this theme -- theme, sir, of a different social agency assuming the full cost of hydro, at least in certain cases, it -- it wasn't -- it -- it was never your intent, I'll suggest to you, in the design of this program that hydro ratepayers assume an obligation in terms of the payment of utility bills that were already being taken care of by a -- a different government agency.

MR. ROGER COLTON: No, no. And if I may explain that, you may remember a conversation this morning where I was explaining the -- the Xcel Energy program. And you begin with the -- the energy bill, you subtract from that any energy assistance that's paid toward that energy bill, you subtract from that the -- the affordable percentage of income, and if that combination of subtracting the energy assistance and the percentage of income payment reduces the asked-to-pay amount, so the remainder, to less than the affordable percentage of income, then there is no participation by that customer because that customer would derive no benefit from participating in the program.

So if you have a customer whose full bill is -- is paid by the government, then that customer would be a non-participant because their asked-to-pay amount would be less than the affordable -- this is the way it works in practice. Their asked-to-pay amount would be less than the -- the affordable percentage of income and so they -- there wouldn't be any shortfall to be paid through the ratepayer pro -- funded program.

MR. BYRON WILLIAMS: And just so I understand your point, if we looked at that participation rate, they would still be in the denominator, but they would not be in the numerator because they -- while they would be eligible to apply they -- they wouldn't receive a benefit via the program.

MR. ROGER COLTON: They -- they would not be a participant in the program, so they would be -- yes, they would be in the denominator because they would be in the pool of income-eligible cus -- customers, but they wouldn't be in the numerator as -- as being in the pool of partici -- program participants, yes.

MR. BYRON WILLIAMS: And would it be fair to say that a significant portion of the population upon which you constructed your original evidence, you've subsequently learned, is having their energy costs in their entirety covered by a parallel government program?

MR. ROGER COLTON: I should look up the -- the undertaking. So with the qualification that it's been a few days since I've looked at it, as I remember the undertaking and the exchange that led to the requ --

I don't know what the terminology is, to the request for the undertaking with which to begin, the Company's statement was they have no idea of how many people are on social welfare, and they have no idea of how many of their LICO-125 customers receive welfare. So -- so I think that that's the status of the understanding, for purposes of this proceeding, but, again, that would be subject to my needing to review the -- the response to that undertaking again.

MR. BYRON WILLIAMS: And just so I'm clear, apart from that response to the undertaking you have not explored the design of our Act, regulation, or policy manual in terms of employment and income assistance to attempt to independently ascertain whether or not that is covered? And -- and by that, sir, I mean energy costs -- utility costs covered in the employment and income assistance budget.

You've not explored that independently?

MR. WILLIAM GANGE: Mr. Chair, in response to -- to Mr. Williams question here, it's quite clear from -- from Mr. Williams' first question, all right, with respect to expertise, that Mr. Colton was not going to be expressing any opinions with respect to law. And to be asking questions now about exploration of the legal aspects is inconsistent with the approach that was taken.

So, Mr. Colton is not here expressing opinion with respect to Manitoba law and -- and the question is inappropriate.

MR. BYRON WILLIAMS: I will accept that, sir. And I thank My Learned Friend. I'll rephrase -- I will rephrase it though.

CONTINUED BY MR. BYRON WILLIAMS:

MR. BYRON WILLIAMS: In terms of the policy of the employment and income assistance branch, you have not independently explored whether that policy provides for the payment of the Utility budget? That's the policy, Mr. Gange.

MR. WILLIAM GANGE: Well, it doesn't matter it's the same -- it's the same thing. It's coming back to the Act and how the Act is applied by -- by the -- the government regulated -- or, government branches here. He's not here giving you evidence about law or whether the policy, as founded upon legal regulations and -- and acts, is -- is being properly applied. He's not here for that, Mr. Williams.

MR. BYRON WILLIAMS: I will move on, Mr. Chairman.

THE CHAIRPERSON: Mr. -- Mr. Gange, at

least you, Mr. Williams, and I are presumed to know the law. Along with all of the residences of Manitoba clearly your client -- or sorry, your expert in this case isn't expected to.

Assuming, sir, that -- that welfare pays the hydro bills of people who are on full assistance, and I think that is in fact the case, what concerns me a little bit because -- is something else that Mr. Williams asked, and I think your response was: The hardest people to re-register are the working poor. In other words, the people who aren't otherwise on -- on other assistance programs, which would significantly, I'm presuming, reduce the effectiveness of the program that you are presenting to us, if we get them on at the beginning, but we can't hold them on that program for any period of time.

Am I correct in that assumption?

MR. ROGER COLTON: Well, we -- we're speaking in relative terms. I think the -- the more appropriate way to -- to state what you just said is that the easiest folks to cov -- to keep on the program are the people who are otherwise involved with some sort of means tested program because you can piggy-back. So I think that it's -- there may be a tendency to want to say it's the -- the hardest population to keep on are the people not on the program, and to say -- and do we equate that with saying it's really difficult to do, and that's not what I'm saying.

I'm simply saying that if you create a continuum with the people you have to work at and make a -- a real effort to keep on the program, the people who aren't involved with some other program that you can piggy-back on or on this end of the continuum, and the people who are already on another program you can piggy-back with are on this end of the -- the continuum.

So you simply have to pay attention to these folks and you have to -- to work to keep these -- these folks on. The fact is that people -- people can be re-enrolled; it's just that it requires more effort. It -- one needs to think about it and to pay attention to it -- pay more attention to it.

MR. ROBERT MAYER: But something else you also said this morning is, The less effort you have to put it -- we were talking at that -- you were talking about -- at that time about collection practices --

MR. ROGER COLTON: Yeah.

MR. ROBERT MAYER: -- but the less effort you have to put in, the better your return. So the more effort you have to put in to keep these people employed, your numbers might not look quite as good when you get to the net back.

MR. ROGER COLTON: Absolu -- that's absolutely the case. There -- there are a variety of things that affect the net back, and what you just suggested is one (1). If you ha -- if you have a large group of people that you're spending a lot of money to keep on the -- the program, that's going to redu -- it's a matter of arithmetic -- that's going to reduce your net back.

And at the risk of going beyond your question, if you have a large number of people who are paying a hundred percent of their bill without the program, then that is going to reduce -- that's going to change your -- your net back, because your net back improves to the extent that you can target people -- payment troubled customers, the people who haven't been paying their bills.

So there are -- my only point is there a variety of factors that will affect net back. And the extent -- the -- the difficulty in keeping people enrolled is -- is clearly one (1). And the extent to which the Utility can target payment troubled customers in delivering their program is -- is another one.

So it's not -- it -- it's not -- I don't want to say it's not an easy calculation, but there are a variety of factors that go into it.

MR. ROBERT MAYER: I understand what you say, sir, but I thank you for the clarification.

MR. BYRON WILLIAMS: Mr. Vice-Chair and Mr. Chairman, I -- I am going to pers -- proceed on a similar vein with -- with the Witness with your permission.

CONTINUED BY MR. BYRON WILLIAMS:

MR. BYRON WILLIAMS: And, Mr. Colton -- Colton, excuse me -- if you can turn to page 78 of the book of documents. And you'll see an excerpt from the document, "Private Employers and Public Benefits," by Geri, G-E-R-I, Scott.

Do you see that?

MR. ROGER COLTON: I -- I do.

MR. BYRON WILLIAMS: And it's page 78 in the top-right corner.

And the Vice-Chair premised his question on the challenges in re-enrolling persons in the labour force. I'm going to suggest to you, and you can turn to page 79 if you're looking for a reference, sir, that there, certainly in the United States context, is a great deal of research documenting that many low-income workers are failing to take advantage of benefits for which they may be eligible, whether those are tax credits, food stamps, medical insurance, et cetera.

Would that be fair, sir?

MR. ROGER COLTON: That would be fair to say, whether or not you're talking about workers or -- or non-workers. Many low-income households don't take advantage of programs that their income qualified for. LIHEAP serves less than 20 percent of the eligible population. LIHEAP is L-I-H-E-A-P, the Low Income Home Energy Assistance Program.

So what you just said I agree with, to the extent that it's applicable to all low-income households, it's not limited to low-income workers.

MR. BYRON WILLIAMS: Just to make sure I understand: You're agreeing that for low-income workers there are empirically documented challenges in taking advantage of benefits. You're saying that that -- those challenges extend to other low-income households.

Would that be correct, sir?

MR. ROGER COLTON: I -- I agree with that. It's not the fact that they're a low-income worker that creates the challenges. Yes, I agree. The answer to your question is, yes.

MR. BYRON WILLIAMS: And just to turn you to page 80 at the bottom for just one (1) second, sir, of the book of documents. On the left-hand side of page 80 you'll see indeed a reference to the fact that only 48 percent of eligible working families received food stamps in 1999.

Do you see that, sir? That's on the left-hand side, Mr. Colton, the very last three (3) lines on the --

MR. ROGER COLTON: I -- I see that.

MR. BYRON WILLIAMS: And obviously you're not in a position to independently verify that, sir?

MR. ROGER COLTON: Well, I -- I can't tell you what the participation rate for working households is. I do know that the -- the food stamps actually is a program that no longer exists. It's now called SNAP, the Supplemental Nutrition Assistance Program.

The SNAP -- the SNAP participation, the -- the SNAP uptake percentage is around 65 percent. So 30 -- 35 percent of people who are income qualified for SNAP don't apply for it, for whatever reason.

MR. BYRON WILLIAMS: Okay. And that would be of the total population, both persons who are in the labour force and persons who are not?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And what this

report, which you cannot independently verify, suggests is that an even lower percentage of those workers are actually taking advantage of -- of stamps?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: Mr. Colton, I'm going to refer to -- you to some really interesting work you did for Iowa in September, 2004. That's at page 4 of the book of documents. And it's an excerpt from an inter -- information re -- response. I believe it's Manitoba Hydro 5B.

And, Mr. Colton, I'll -- I'll give you a chance to take a quick look at page 5 at the bottom, and then page 6 at the -- at the top, if you would.

MR. ROGER COLTON: Okay, I've looked at those.

MR. BYRON WILLIAMS: And memorized them, no doubt.

And again, I'm -- I'm moving away from low-income employees to -- or pers -- to low-income households in general. In -- in terms of eligibility for programs such as LIHEAP or other means tested programs, you'll agree with me that one (1) reason for lower than eligible participation has to do with the existence of a stigma, the stigma associated with the means test or welfare program.

Would you agree with that suggestion?

MR. ROGER COLTON: I would agree that the stigma of receiving outside assistance is a barrier to participation in a means tested program, yes.

MR. BYRON WILLIAMS: And would you also agree that an additional barrier, as represented by your "worth the effort" comment on -- on page 5, is that given their myriad, M-Y-R-I-A-D, other daily burdens, for some persons the -- the time cost of applying for and re-certifying for a means tested program may be seen to outweigh the benefits?

MR. ROGER COLTON: Yes, I agree with that.

MR. BYRON WILLIAMS: And -- and we don't need to go through them. On page 6 as well you outline a number of your -- of the other personal and/or institutional barriers, which may challenge enrollment in programs such as LIHEAP.

Is that fair?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: Just out of curiosity, you provided this report to LIHEAP in -- in Iowa, at -- at a general sense, how, if at all, have -- have participation rates changed since that this time?

MR. ROGER COLTON: In Iowa?

MR. BYRON WILLIAMS: Yes. If you can't answer, sir, that's fine.

MR. ROGER COLTON: Well, now the -- it's a more complicated question than -- because after this report was done the federal appropriation for LIHEAP was dramatically cut. And so the LIHEAP agencies, the state agencies delivering LIHEAP assistance, in light of fewer dollars, became aggressively disinterested in expanding their participation, because they didn't want to expand their participation in an era of decreasing resources.

LIHEAP -- LIHEAP is a block grant -- what's known as a block grant, which means that the -- the allocations to each state are constant, irrespective of the number of participants, and irrespective of the number of people who are found to be in need. So if you have a decreasing block grant allocation and an increasing participation level, all -- all that means is that you have to decrease the benefit on a per-participant level.

So, given the fluctuations in the LIHEAP appropriation, I'm not even sure I could tell you that the LIHEAP eligibility requirements stayed the same, let alone tell you what the participation rate, given how eligibility was determined in any given year, was.

MR. BYRON WILLIAMS: And the fluctuation

you attribute, at least in part, to the aggressive disinterest of administration in -- in pursuing participation?

MR. ROGER COLTON: The fluctuation is dependent upon federal funding levels. In -- in a period when Congress was providing very low LIHEAP appropriations, state LIHEAP agencies, including the Iowa LIHEAP agency, were not seeking to increase the number of participants, because all that would mean is that they would deliver fewer benefits to more people.

MR. BYRON WILLIAMS: Thank you for that. Turn, if you would, to page 62 of the book of documents, which -- which is an excerpt again from your Home Energy Affordability in Manitoba paper. And you'll recall this morning a number of interesting questions from the Vice-Chair and the Chair on how the fixed-credit model would work, sir.

You recall a conversation this morning?

MR. ROGER COLTON: I do.

MR. BYRON WILLIAMS: And I just want to -- on pages 62 and 63, I want to go into a bit more detail about the example that you choose here, and then -- then I -- I want to ask a question of refinement. Essentially, what you do on page 62, top right-hand corner, on page 63 on the top right-hand corner, is take the example -- explore how this fixed-credit mechanism might work for a person making eight thousand dollars ($8,000) a year, and with a total energy bill of twelve hundred dollars ($1,200).

Would that be fair, sir? I'll get to further detail, but that's where you start.

MR. ROGER COLTON: I begin with a household with an income of eight thousand dollars ($8,000).

MR. BYRON WILLIAMS: And if you go to -- on point three (.3) on page 63 --

MR. ROGER COLTON: Yes. And I begin with a person who has an -- an energy bill of twelve hundred dollars ($1,200). Yes, I see both of those.

MR. BYRON WILLIAMS: And for that household with eight thousand dollars ($8,000), you've calculated a total affordable energy burden of 6 percent, of four hundred and eighty dollars ($480), correct, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And so, essentially, how the fixed-credit mechanism works is, assuming this twelve hundred dollar ($1,200) total energy bill and an affordable energy burden of four hundred and eighty dollars ($480), you subtract the four hundred and eighty (480) from the twelve hundred (1,200) to yield a contribution of seven hundred and twenty dollars ($720).

Is that right, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And as you explained to the Vice-Chair this morning, those -- that -- that monthly credit of sixty dollars ($60) is then -- excuse me, of seven hundred and twenty dollars ($720), is essentially divided by twelve (12) in terms of a fixed monthly credit.

MR. ROGER COLTON: It's -- the seven hundred and twenty dollar ($720) annual credit would be divided by twelve (12) to derive a sixty dollar ($60) monthly credit, yes.

MR. BYRON WILLIAMS: Thank you for saying that better than I did.

Now I want to draw you attention to a statement that you make immediately after the Number 3 in the fixed credit determination, the next paragraph. And I'll read it to you, and I'll just get you to confirm that I've essentially read it well:

"The fixed credit also offers the advantage of providing a strong conservation incentive to the low-income customer. Under the fixed credit model, the local utility

provides a sixty dollar ($60) fixed
credit to the low-income household,
irrespective of their actual bill."

I'm paragraphing here: If it increases its consumption and thus has a higher bill, the household pays the amount of the increase. If, in contrast, it conserves energy and lowers its bill it pockets the saving.

I didn't read that with mechanistic precision, but that's essentially what you're saying in that paragraph, sir?

MR. ROGER COLTON: Yes.

MR. ROBERT MAYER: And you said it much more eloquently this morning, exactly the same way.

CONTINUED BY MR. BYRON WILLIAMS:

MR. BYRON WILLIAMS: I just want to make sure that I under -- understand how this element of it works, sir, so I'm going to give you an example. I don't think you need a pen or a calculator, but if you -- if you do, you'll let me now. Let's --

MR. ROGER COLTON: I always have my telephone, so.

MR. BYRON WILLIAMS: Okay. Well, I might have a calculator here.

If this con -- household increased its consumption by 20 percent annually -- I'll ask you to assume that, for example -- that would get it up to -- 20 percent of twelve hundred (1,200) would be an additional two hundred and forty dollars ($240).

You'll agree with that, sir?

MR. ROGER COLTON: I agree with that.

MR. BYRON WILLIAMS: And that would get the total energy bill up to fourteen (14) -- fourteen hundred, forty (1,440) correct?

MR. ROGER COLTON: I agree with that.

MR. BYRON WILLIAMS: Okay. And -- and I'm assuming that that was subsequent to its enrollment on the program and the fixed credit of -- of four hundred and eighty (480) being -- being set out.

You understand that, sir?

MR. ROGER COLTON: Yes. The only reason this is meaningful is because the fixed credit has already been set.

MR. BYRON WILLIAMS: Yes.

MR. ROGER COLTON: So the increase in consumption -- and we're going to use bills in consumption interchangeably -- the increase of 20 percent is after the fixed credit has been set.

MR. BYRON WILLIAMS: Yes. Thank --

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And thank you for that.

And because it's after the fixed credit has been set, the fixed credit would still be seven hundred and twenty dollars ($720) in this example, correct? It's right there in number 3.

MR. ROGER COLTON: Yes. The fixed credit would still be seven hundred and twenty dollars ($720).

MR. BYRON WILLIAMS: So with a bill of one thousand four hundred and forty dollars ($1,440) and the fixed credit of seven hundred and twenty dollars ($720), this household would be paying seven hundred and twenty dollars ($720), all other things being equal.

So their bill would be seven hundred and twenty dollars ($720), correct?

MR. ROGER COLTON: They're asked-to-pay amount would be seven hundred and twenty dollars ($720), yes.

MR. BYRON WILLIAMS: And if they paid, and assuming that their income stayed at eight thousand dollars ($8,000), their energy burden in that particular year would be 9 percent, which I derived by dividing seven hundred and twenty (720) by eight thousand (8,000), correct?

MR. ROGER COLTON: If they pay -- well, whether or not they paid, their energy bill would be -- their energy burden would be 9 percent, yes.

MR. BYRON WILLIAMS: And it -- it's not in your -- the reference I'm going to -- I'm gonna make reference to next is not in the book of documents, but I -- I've derived it from your really interesting report about Pennsylvania energy efficiency, which you appended to the document on pages 27 and -- and 28, Mr. Colton. So if you want to grab it, otherwise you can trust me, but I -- I leave that up to you.

But -- but certainly your -- you're aware, and -- and it's certainly a central part of your evidence, is it not, sir, that the reality, certainly based on American study, is that given their existing energy burden, many low-income households are accustomed to cutting back energy use to uncomfortable levels.

Would that be fair, sir?

MR. ROGER COLTON: I agree with that.

MR. BYRON WILLIAMS: And in your evaluation of the Pennsylvania program, I'll ask you to accept, subject to -- to check, you noted, this was in the context of home energy efficiency improvements, that there are significant takeback effects for weatherized homes. Does that sound familiar, sir?

MR. ROGER COLTON: I -- I agree with that. It sounds familiar and I agree with it as well.

MR. BYRON WILLIAMS: Okay. And a significant element of those takeback effects is the increase in indoor temperature settings to -- to achieve more liveable conditions. Would that be fair, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And you indicate, and, again, if you're looking for a reference it's page 27 of that report, in some studies the takeback via higher thermostats has been as much as 20 percent.

Would you accept that, subject to check, sir?

MR. ROGER COLTON: In some studies the takeback has been as much as 20 percent. I accept that.

MR. BYRON WILLIAMS: I wonder if you can turn to page -- and staying on this point, but turn to page 17 of your book -- of my book, the book of documents of CAC/MSOS. An -- and you'll see marked on the right-hand side the second mark, "A Potential Solution," sir.

Do you see that reference?

MR. ROGER COLTON: I'm sorry, point that out to me again.

MR. BYRON WILLIAMS: On the right-hand side of the --

MR. ROGER COLTON: I see, "Potential Solutions."

MR. BYRON WILLIAMS: Yes.

MR. ROGER COLTON: Yes, I'm sorry, I do see "Potential Solutions."

MR. BYRON WILLIAMS: You don't have to apologize, sir. I'll give you a second to look at that. And, sir, one (1) of the -- the points you make in -- in this APPRISE document is that a fixed-payment percent of income program allows those households that have restricted their usage to a level that is unhealthy or unsafe to make modest and appropriate increases in their usage level. Because of the subsidy computation procedures, the subsidy would automatically adjust to account for the higher usage.

Do you see that reference, sir?

MR. ROGER COLTON: I do.

MR. BYRON WILLIAMS: And --

MR. ROGER COLTON: This is not the Manitoba --

MR. BYRON WILLIAMS: This is --

MR. ROGER COLTON: -- if you're wondering --

MR. BYRON WILLIAMS: Yeah.

MR. ROGER COLTON: -- this is not the

Manitoba -- this a fixed-payment program rather than a fixed-credit program.

MR. BYRON WILLIAMS: I understand that, sir.

MR. ROGER COLTON: Okay.

MR. BYRON WILLIAMS: My question is: Recognizing the reality that some low-income families facing a significant energy burden may -- may cut back on usage, do you see some utility in a concept such as isn't -- is set out here, allowing them, not penalizing them, for increasing their usage level to a level that is not unhealthy and not unsafe?

MR. ROGER COLTON: Do I see some utility in that? Of course I see some utility in that. Do I see sufficient utility in that to merit the adoption of a fixed-payment percentage of income plan as opposed to a fixed-credit percentage of income plan? No.

I believe that the -- the conceptual basis for a fixed-credit program, the conservation incentives that a fixed-credit program delivers, the price signals that a fixed-credit program delivers, none of which would be delivered by a fixed-payment percentage of income program. And the administrative simplicity of a fixed-credit program relative to a fixed-payment program all would counsel to the adopt -- to the adoption of a fixed-credit program rather than a fixed-payment program, notwithstanding the utility of letting people who have cut back on their energy being allowed to increase that consumption.

MR. ROBERT MAYER: But, sir, is it necessary to fa -- to sacrifice the fixed-payment program? If we -- surely when we're establishing the fixed credit, any utility worth its salt will know whether the people have been using sufficient electricity to maintain a liveable temperature. I live in Thompson, Manitoba, sir. Yesterday, it was seven (7) as the high. We're still -- our furnaces are still running in June.

It's not used -- normally, no -- but in the fixed-credit program, would -- presumably there has to be an evaluation of the -- of the electric bill to determine what the monthly payment would ordinarily be and, therefore, forecasting the -- the yearly payment.

Is there not some way that one could build into that initial application some assessment at least, as to whether or not people are literally flee -- freezing themselves to death or -- or -- well, I guess the freezing to death you could deal with, but what you couldn't determine is whether they were doing without other things in order to -- okay, I guess that wouldn't work.

MR. ROGER COLTON: The -- the answer to your question is -- is an emphatic yes. People tend to think -- and this is a broad generalization, but people tend to think of the problems with energy consumption as being limited to people who use too much. But we -- those of us who work in the poverty area also know that one (1) of the problems with energy consumption are the people who use too little.

And it is -- it's very possible to give the staff that is administering a program the flexibility to identify the people who are using too little and to let those folks say that the -- the consumption history of this household indic -- indicates that something wrong is going on here -- wrong, put that in quotation marks, something "wrong" is going on here and we need to adjust the -- the person's participation accordingly.

So the -- it's -- what you just indicated simply is the -- the observation that people can use too little energy in addition to people using too much energy and using too little energy is -- is a problem -- can be a problem, and it can be addressed.

MR. ROBERT MAYER: I should say, sir, that we've heard much evidence about that in previous applications relating to the communities that are heated by diesel-generated electricity. And we've -- we've been made well aware of the problems of people who are unable to in fact properly heat their homes or properly keep their homes in decent shape. So we're somewhat familiar with that problem.

(BRIEF PAUSE)

CONTINUED BY MR. BYRON WILLIAMS:

MR. BYRON WILLIAMS: Mr. Colton, page 12 of the book of documents for one (1) second, please.

(BRIEF PAUSE)

MR. BYRON WILLIAMS: On -- towards the bottom third of the -- the page, under "Needs Assessment," you make the point that low-income energy affordability programs are not designed to serve 100 percent of low-income need and should not be expected to do -- to do so. Is that fair, sir?

MR. ROGER COLTON: I agree with that.

MR. BYRON WILLIAMS: A very simple hypothetical, let's assume that the program achieves -- is implemented in Manitoba, achieves its 40 percent participation rate, and the regulator in its wisdom imposes a 5 percent rate increase. In that scenario, the

60 percent of low-income persons, as defined, who are not part of the program are not protected from that rate increase. Would that be fair?

MR. ROGER COLTON: I agree with that.

MR. BYRON WILLIAMS: And any household, let's say, that's at 126 percent of LICO is not protected from any rate increase either. Would that be fair, sir?

MR. ROGER COLTON: I agree.

MR. BYRON WILLIAMS: And are you aware of any discussion or examination in the literature testing or examining the thesis that regulators may be more likely to grant higher rate increases in jurisdictions where low-income programs are in effect?

MR. ROGER COLTON: No.

MR. ROBERT MAYER: Sir, you just caught me by surprise here again. If we impose a 5 percent rate increase, doesn't somebody go back and have a little look-see at where we start? If the twelve hundred dollar ($1,200) bill now -- twelve hundred dollar ($1,200) a year bill now becomes 5 percent more, and I haven't calculated that, but now we have a different number to begin with, don't you go back and recalculate that back through?

MR. ROGER COLTON: Absolutely. I don't think that was the -- the question.

MR. ROBERT MAYER: Oh, okay. That's what I thought he said.

MR. ROGER COLTON: The -- the question is simply: You have -- your total income-eligible population is 100 percent. If you've got 40 percent of that population participating, you have 60 percent of the population that's not participating, and that those non-participants, to the extent that there's a rate increase, ex -- experience the rate increase without the benefit of the program. It's -- it's sort of a -- a statement of the obvious.

MR. ROBERT MAYER: Well, it's not quite so obvious to me, then.

MR. ROGER COLTON: Oh, I'm sorry. Okay.

MR. ROBERT MAYER: I'm sorry, because as soon as that number goes up, the bill itself goes up, do we not get into a situation where we have to re-evaluate, or is it the fact that that -- that the LICO number is exactly where it stays and isn't adjusted somehow to take account of what, in fact, is an increase in the cost of living?

MR. WILLIAM GANGE: Mr. Mayer, are -- are you tying that into Mr. Williams' question? Because I don't think that was the import of -- of Mr. Williams' question. I think that Mr. Williams' question, as I heard it, was: If there is such a program in place that -- that protects some low-income people, is it more likely that a regulator is going to be more willing to grant increases on -- on rate applications because the regulator may say, Oh, well, the low-income people are protected and the rest of the population can -- can afford it?

MR. ROBERT MAYER: That was Mr. Williams' second question. That wasn't what I was dealing with.

MR. WILLIAM GANGE: Oh, okay.

MR. ROBERT MAYER: I heard that one very clear.

MR. BYRON WILLIAMS: That was my third question.

MR. WILLIAM GANGE: Okay. That -- that was -- but I --

MR. ROGER COLTON: But -- but what you suggest, if I may, is correct, because par -- particularly for some popula -- part of the 60 percent of the -- the population because some, as we've been discussing, some part of that population won't participate because their bills are below the 6 percent with which to begin. If there's a 5 percent rate increase, absolutely -- absolutely, those folks may very well reconsider and say, We want to become a -- a part of the participant population.

Some part of that 60 percent will have their bills paid for by the government, in total, so they're indifferent. And then some part of that 60 percent doesn't participate for whatever reason. They -- historically, they haven't thought it was worth their while. Maybe a 5 percent rate increase would push them to re-examine that. We just -- we just don't know. But some part of that 60 percent won't participate, irrespective of what the rate increase would be.

MR. ROBERT MAYER: And what part can you possibly estimate -- what part of that 60 percent just doesn't know it's there? I know that there's been some discussion in here about the kind of publicity, for lack of a better word, that's been given to the program, but we have noticed -- one (1) program that we particularly notice with is the -- is the furnace-replacement program, and there doesn't seem to be much of an uptake at all. And there doesn't appear to be any downside to that for people taking advantage of it, and the only assumption we can make, barring some evidence to the contrary, is that people just don't know it's there or at least don't know its benefits.

Do we -- do we -- do you have any statistical evidence respecting how many people in that

60 percent would be in that position?

MR. ROGER COLTON: I -- I know of two (2) studies and, to be honest, I can't tell you the numbers just off the top of my head, but there was a study -- coincidentally, a study in Iowa on why do people not participate in LIHEAP, the federal fuel assistance program. And one (1) of the -- the potential responses is -- is they weren't aware of the program. And then I did a study ten (10) or fifteen (15) years ago in Colorado on why people don't participate.

So I -- I could offer, if you wanted to see the -- to make the relevant parts of those two (2) studies available. But there is a large percentage of people who don't participate because, despite our best efforts at outreach, they -- they don't -- they don't know the program exists. And if they do know the program exists, they don't know how to access the program.

So having a knowledge of the program, and having what's called effective knowledge, which is, I know the program exists and I know how to become involved with it. Those are two (2) major problems and that -- that has been quantified in the past, I just -- those are some numbers I don't have off the top of my head.

MR. ROBERT MAYER: Thank you, sir.

CONTINUED BY MR. BYRON WILLIAMS:

MR. BYRON WILLIAMS: Mr. Chairman, I -- I am on -- on pace. I do want to go back to the question that I actually asked. I'm not sure, I -- I think I have your answer.

But, I think you confirmed that to your knowledge there was not any literature examining the thesis that regulators are more likely to grant higher rate increases in jurisdictions where low-income programs are in effect.

MR. ROGER COLTON: My answer to that is I am -- I -- to my knowledge, that -- I'm not aware of any literature that would support that proposition. I don't know if that's a yes or a no answer. I'm not aware of any such literature.

MR. BYRON WILLIAMS: Are you aware of any literature examining the question, sir?

MR. ROGER COLTON: No.

MR. BYRON WILLIAMS: Going back and -- to the Indiana example that we discussed quite some time ago, you'll recall that -- that was a program implemented at a time of major price increases. You're aware of that, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: And it was a

proposal initiated by the industry. Would that be fair, sir?

MR. ROGER COLTON: Initiated by the -- the natural gas utilities, yes.

MR. BYRON WILLIAMS: In any way or form do you see the natural gas utilities proposal in Indiana as a strategic device to placate a regulator in the face of rapidly rising energy costs?

MR. ROGER COLTON: No. I worked for those three (3) utilities, and I can say without question there was -- that was not a motivating factor.

MR. BYRON WILLIAMS: What -- what level of participation rate has the Indiana program achieved, sir?

MR. ROGER COLTON: Well, there -- we -- we're talking about three (3) different Indiana programs. There's the Veteran program, there's the Citizen Gas and Coke Utility pro -- the CGCU program, and there's the NIPSCO program, the Northern Indiana Public Service Company program.

MR. BYRON WILLIAMS: Let's take Citizen Gas, if you'd like.

MR. ROGER COLTON: I would -- without having looked at those numbers for a number of years, I would say more than twenty (20) and less than twenty-five

(25) percent.

MR. BYRON WILLIAMS: Okay. Thank you.

MR. ROGER COLTON: And that number, again, is the percentage of the eligible population that is part -- that participated in those -- in that program.

MR. BYRON WILLIAMS: I wonder if you can turn now, Mr. Colton, to page 75. It -- actually start at page 76 of the book. Seventy-six (76) -- and -- and for those who are wondering in which document we are, this is an ex -- excerpt from -- starting at page 72 of a long sterm -- long-term study of Pennsylvania's low-income usage reduction program.

Mr. Colton, first of all, this was attached to your evidence, is that right, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: Were you the author of this report?

MR. ROGER COLTON: No.

MR. BYRON WILLIAMS: You attach it for your -- to your evidence because you're of the view that it was of some utility in the dis -- in the issues before the Board.

Would that be fair?

MR. ROGER COLTON: Yes. In two (2) -- it would be of utility in two (2) senses. One is it indicates the -- the extent to which a successful low-income usage reduction program will generate a usage reduction and, therefore, bill reductions, and it tops out -- around twenty (20) -- 20 percent reduction is -- is a -- is considered a good result from a usage-reduction program.

In addition, the pe -- it was authored by Penn State University. It indicates the success in addressing collections in arrearage problems by addressing -- or decreasing the underlying bill.

MR. BYRON WILLIAMS: And this was in the context of an energy-efficiency program, sir?

MR. ROGER COLTON: Yes.

MR. BYRON WILLIAMS: There's an interesting quote at the bottom of page 76, and I'll read it to you, hopefully, accurately this time.

> "Weatherization services are often seen as the best solution for households living in fuel poverty. As poverty -- [excuse me]. As Power and Clark [205] state, there is a far stronger connection between housing [condition] and the incidence of energy hardships than between income and non-payment of bills."

Sir, do you accept this proposition by Power -- Power and Clark?

MR. ROGER COLTON: No, I think the -- the quote from Power and Clark, I believe, fails to distinguish the -- the correlation between housing condition and -- and income with which to begin. So I -- and at -- at some level of -- of abstraction this statement is correct, but I think that it fails to capture the -- the relationship between housing conditions and income, so.

MR. BYRON WILLIAMS: And on the previous page, page 75, in the top right-hand corner, again there's a -- this is page 75. There is a -- at the bottom paragraph I'm going to direct your attention to the first sentence and the last sentence of the bottom paragraph. You're certainly welcome to read it all.

But you'll see in the first sentence:

"To date, payment assistance for energy bills has typic -- typically received the most funding, although such assistance is just a temporary solution."

And then you'll see in the last sentence:

"Most experts agree that, in the long-run, the approach with the greatest impact for low-income households, as well as many other households, is weatherization."

Sir, do you agree with that proposition from the authors?

MR. ROGER COLTON: To a certain extent. Clearly weatherization delivers affordability assistance and delivers it in the long-term. However, as I explain in detail in my report, and I won't re-articulate here, weatherization standing alone is not an -- a solution, even in the long-term, unless we're talking two hundred (200) years in the long-term, but is not in the long-term an adequate solution to an affordability problem.

It can deliver affordability benefits neither in the magnitude nor to the number of households that are necessary to address affordability issues. So when you're speaking of populations rather than individual households, this -- that's where this -- this paragraph breaks down.

MR. BYRON WILLIAMS: I'm going to ask you -- and we're just kind of jumping around for the last few short snappers, Mr. Colton. I'm going to ask you for some regulatory advice, not for some legal advice. Top of the right-hand page 71.

Actually, that's the page I'm referring

you to, is page 71. And the -- the statement from you is just above "Summary." You'll see, sir, that you make a -- you're -- you're proposing that in terms of funding for low-income energy-efficiency improvements the proposed decision rule should be the amount that is required to treat the full range of customers with consumption at or above the comp -- company average within a ten (10) year timeframe. Progress towards that goal should be continuously measured with program and/or financial adjustments if progress is inadequate.

Do you see that reference, sir?

MR. ROGER COLTON: I do.

MR. BYRON WILLIAMS: My question to you is: Let's assume that we're dealing with a -- a utility, hypothetically, that is facing some challenges in delivering low-income energy efficiency programming.

What, if any, mechanisms can you suggest for the regulator to assist that utility?

And if you can't answer that I understand. But we're looking for tools to assist the utility to -- to -- to get out there and sell.

MR. ROGER COLTON: Well, as we've talked about with the Affordability Program, and as would be indicated in the Iowa Report that you've attached some pages from, I -- I'm a big believer in eligibility being shared between programs. The greater the integration and coordination between programs, I think the better we find the opportunity and the ability to generate an uptake occurs.

I sort of -- hopefully that -- that sentence made sense.

But increasing the coordination in the overlap and the integration between programs serving the same or similar populations benefits and improves uptake. One (1) of the things that the National Regulatory Research Institute in the US, which has until recently been the research arm for NARUC, The National Association of Regulatory Utility Commissioners, found is that there needs to be a real -- a sensitivity to culturally appropriate outreach.

And what I mean by culturally appropriate outreach is understanding what -- what groups of customers turn to their neighbours and their community based institutions to learn about programs; what -- what group of customers receives their information through the -- through the mass media; what group of customers receives their information through the utility. Because unless you understand the segmentation of your customer base, you frequently engage in a lot of outreach that is being less than effective, because you're not delivering it in the way, or through the media that -- that is reaching the population that you're trying to reach.

But I have -- I would recommend that people study that Iowa report, which talks about outreach for -- for low-income energy programs, because it talks about how outreach can be made more effective, and how the message can be structured in a way such that it deliver -- it's more effectively delivered.

MR. BYRON WILLIAMS: One (1) last question, subject to any instructions from my clients over -- and this is a very small point, but of some interest st -- and it's not in the -- the book, Mr. Colton. You reference some work with ATCO, A-T-C-O, in Ontario.

MR. ROGER COLTON: A-C-T-O.

MR. BYRON WILLIAMS: Excuse me, A-T-C-O (sic), on the subject of Suite, S-U-I-T-E, metering. And I wonder very briefly if you can ex -- explain what that was about, sir?

MR. ROGER COLTON: Suite metering is a move from master metering in multi-family housing to individualized metering. And the issue is, in short, that suite metering affects tenants in particular. ACTO is, Action Centre for Tenants Ontario, so it's a tenant advocacy group.

And to the extent that the energy and the electricity metering is moved from master metering with the bill included as a part of -- as an undifferentiated part of rent to be in a stand-alone bill, without the rent being adjusted accordingly, a move to suite metering, which would appear to be an energy issue, really represents simply an across-the-board rent increase to people who often can't afford to pay rent increases.

And coup -- I know I promised this would be short, but coupled on top of this is the fact that suite metering can be shown to be non-cost-effective. So you're actually paying more for the meters and the process of suite metering than you're saving through the process of reducing consumption by making people individually accountable for -- for their bills.

So in Ontario, there is significant concern within the tenant advocacy community, particularly the low-income tenant advocacy community, about a move to suite metering.

MR. BYRON WILLIAMS: Thank you, Mr. Colton. And I don't think you promised to keep it brief. I asked you to, but I -- you did a nice job.

Mr. Chairman and Mr. Vice-Chair, thank you for your time. Subject to any instructions from my client, that will be the finish.

THE CHAIRPERSON: Thank you, Mr. Williams. We're going to take a short break. Just to make note, MIPUG, Mr. Hacault, is not present. We'd anticipated MKO would be here for Mr. Colton's evidence, but there's no sign of Mr. Anderson, so we assume that he's not here.

So when we come back, if Mr. Williams doesn't have another question, we'll be going directly to Ms. Boyd for Manitoba Hydro, and then we'll complete the day with Mr. Peters. So if both of you wouldn't mind reviewing your -- your questions to see if we can restrain the time, if possible.

Thank you. We'll have our break now. We'll be back in fifteen (15) minutes.

--- Upon recessing at 2:54 p.m.

--- Upon resuming at 3:16 p.m.

THE CHAIRPERSON: Okay. Subject to check, Ms. Boyd, you've distributed this book of Manitoba Hydro's book of documents, so it would be MH-152, correct?

MS. MARLA BOYD: Yes, thank you.

THE CHAIRPERSON: Okay.

--- EXHIBIT NO. MH-152: Manitoba Hydro's book of documents

THE CHAIRPERSON: Thank you. Welcome back, Mr. Colton. And, Ms. Boyd, you can begin at any time.

MS. MARLA BOYD: Good afternoon, Mr. Chair, Mr. Vice-Chair.

CROSS-EXAMINATION BY MS. MARLA BOYD:

MS. MARLA BOYD: Good afternoon, Mr. Colton. I wanted to start, just to confirm, on page 8 of your evidence -- and before I get Mr. Gange excited, I am not treading where angels fear to tread -- but you offered on page 8 the commentary that:

> "No special legislative authority is necessary for the MPUB to approve any given component of the low-income program I recommend."

But based on our discussion earlier today, is my understanding correct that you're not offering a legal opinion, that you haven't reviewed the Manitoba law, and that that isn't a legal opinion being advanced?

MR. ROGER COLTON: That's correct.

MS. MARLA BOYD: Thank you. Now, I note

you suggest, in Attachment 2 of your evidence, on pages 38 and 39, a quote that was reviewed by Mr. Williams with you, and I believe it's actually a quote from the National Welfare Organization, you said:

> "It's simply not possible to stretch an income of seven thousand eleven dollars and ninety-six cents ($7,011.96) to cover expenses of thirty-six thousand nine hundred and twelve dollars ($36,912)."

I'll just give you a minute to get there. You have it?

MR. ROGER COLTON: I see it.

MS. MARLA BOYD: It carries on:

> "No matter how well a low-income household manages its payments, it is not possible to stretch an income of eight thousand eight hundred and eighty-eight dollars and sixteen cents ($8,888.16) to cover expenses of fifteen thousand three hundred eighty-two dollars and thirty-one cents ($15,382.31)."

And I take it, Mr. Colton, that you recognize that, for a customer with an income of seven

(7) or eight thousand dollars ($8,000) per year, even if their electric bill to -- were to be reduced to zero, they still wouldn't be in a position to cover expenses of over thirty-five thousand dollars ($35,000), or even fifteen thousand dollars ($15,000)?

MR. ROGER COLTON: I agree.

MS. MARLA BOYD: If I could ask you to turn to page 6 of your attachment. You've indicated that -- sorry, I'm just not clear if it's your attachment.

(BRIEF PAUSE)

MS. MARLA BOYD: You said in your evidence that your clients are interested in workable programs that generate desired outcomes at a reasonable cost. And I'm wondering if you could advise how you determine what the reasonable cost is, in a given situation.

MR. ROGER COLTON: There are a variety of factors that go into that. There is a total cost that frequently goes -- goes into that.

In New Hampshire, the consideration is a per unit cost. There is a monthly cost to -- to ratepayers. So I guess, the combination of those three (3) things. And it is a -- a decision that is driven policy as much as calculation, as to when the cost be -- becomes too high or unreasonable. And that decision is -- is made by the Commission, as informed by the various stakeholders.

MS. MARLA BOYD: And in this case was it guided by your client RCM/TREE?

MR. ROGER COLTON: I costed out a program, and the -- the cost on a -- a per customer basis seemed to be reasonable. And, more importantly, the -- the total cost when applied against the cost recovery mechanism that I proposed seemed to be reasonable.

So my client in this case reviewed that, but the calculation was mine.

MS. MARLA BOYD: And when you determine a reasonable cost do you take into consideration other assistance that's received by low-income customers?

MR. ROGER COLTON: On occasion.

MS. MARLA BOYD: So, for example, would you take into account things like Social Assistance, the Furnace Replacement Program, GST rebates, Unemployment Insurance, and the like?

MR. ROGER COLTON: No.

MS. MARLA BOYD: And --

MR. ROGER COLTON: Well, let me -- let me back up. I would take into account energy efficiency, in that we have explicitly considered the impacts of targeting energy efficiency to high use/high credit customers in -- in other programs. The Philadelphia Gas Works includes a specific calculation; it's not my calculation. But in working with the PGW program, PGW specifically considers what the long-term cost reduction of the rate affordability assistance will be given the expected levels of -- of energy efficiency which is delivered.

But the -- the things such as social assistance, and to the extent that social assistance might pay -- directly pay some or all of the -- the energy bills, only gets incorporated implicitly by its impact on the asked-to-pay amount, and whether the asked-to-pay amount is above or below the affordable demarc -- the demarcation of affordability.

MS. MARLA BOYD: So, in --

MR. ROBERT MAYER: And -- and, Mr. Colton, you would also include unemployment insurance because that's a basic part of a person's income, at least in this country. If you're unemployed for a period of time and you receive unemployment insurance, that's part of your basic income.

MR. ROGER COLTON: But -- but the question I -- that I heard was: Do I use those in deciding what's -- what is an unreasonable program cost. And I would use that in costing the program out, but -- but not making a determination of whether this is a reasonable or an unreasonable level.

CONTINUED BY MS. MARLA BOYD:

MS. MARLA BOYD: Turning to the proposed Low Income Affordability Program that you've put forward in your evidence for Manitoba, and, in particular, the rate affordabi -- affordability portion of that program, would you acknowledge that the 6 percent guideline, or target, is based on an assessment of what low-income customers can afford to pay, rather than the cost of providing electricity?

MR. ROGER COLTON: I agree with that.

MS. MARLA BOYD: And in your view, and I think from what you've just told me, I -- I understand you to be saying that you would want to align yourselves with programs offered by the provincial government and other agencies offering support and services to those same customers who would be targeted for your rate affordability program?

MR. ROGER COLTON: I don't know what you mean when you say align the rate affordability program with other programs. I have testified, and I firmly believe, that a Manitoba Hydro program, or a program by any other utility, benefits by the coordination and integration with other social assistance programs.

So to the extent that that's what you meant by "align", I agree with that statement.

MS. MARLA BOYD: Yes, thank you. And in the course of your preparing the program for Manitoba that you've offered in your evidence, did you review existing stakeholders and programming in Manitoba that are available?

MR. ROGER COLTON: No.

(BRIEF PAUSE)

MS. MARLA BOYD: I've included at Tab 2 of my book of documents, which is Manitoba Hydro Exhibit 152, an excerpt from a slide from a presentation that I understood to be made in 2007 by yourself among others. And I've attached slide 11 -- or page 11 from that presentation.

You've indicated there that New Jersey is not California. And in the context of that statement you review and suggest that you need to document the unique energy needs of your low-income households and design a program around those needs.

Do you see that?

MR. ROGER COLTON: I do.

MS. MARLA BOYD: And would you agree that that's also true of Manitoba?

MR. ROGER COLTON: I -- I do.

MS. MARLA BOYD: Perhaps even more than New Jersey, we are not California? That's okay, that's a joke.

MR. ROGER COLTON: That's a rhetorical question, yes.

MS. MARLA BOYD: Now, you've noted in your evidence, and I'd refer you to page 45, if you need a reference, that the 6 percent energy burden that you advocate is a policy matter.

Is that right?

MR. ROGER COLTON: Yes. I haven't looked that page up, but 6 percent is a policy mat -- matter, yes.

MS. MARLA BOYD: And you may be aware that within the last couple of years RCM/TREE had engaged the services of Steven Weiss, who suggested that the need for assistance of energy burden should be focussed on a 15 percent energy burden.

Were you aware of that?

MR. ROGER COLTON: I have been told that, yes.

MS. MARLA BOYD: And I also noted in your evidence that the range of energy burden which you indicate appears to trigger disconnection is the range of 10 to 12 percent.

Is that right?

MR. ROGER COLTON: The -- the burden level at which disconnections can be routinely expected is at the 10 to 12 percent. And if I may, I would make the same notation with your questions as I did with the earlier questions. We're talking total energy at this point.

So when we talk 10 to 12 percent, we're saying 10 to 12 percent for electric space heating, recognizing that electric base load consumption would be half of that. So we'll use the total percentage as a shorthand for --

MS. MARLA BOYD: Yes, thank you. When you consider the concept of affordability, would you agree that it's really a combination of household income and the prices of all the goods and services in the household?

MR. ROGER COLTON: No.

MS. MARLA BOYD: You wouldn't agree that you need to look at energy prices in -- in combination with other expenses that a customer incurs?

MR. ROGER COLTON: No, I wouldn't agree with that.

MS. MARLA BOYD: So in a situation where, for example, a customer has housing which he receives at no cost, you wouldn't view it necessary to alter your energy burden?

MR. ROGER COLTON: No.

MS. MARLA BOYD: Can you explain why not.

MR. ROGER COLTON: Because the -- for two (2) reasons -- the -- one (1) is that the literature certainly supports the -- the notion that energy problems arise and can be measured on an objective basis as energy bills, as a percentage of income. And the fact that there may be other expenses addressing the remainder of the income may indicate levels of poverty, or -- or levels of need, but it doesn't address that objective measure of energy affordability and energy unaffordability.

The -- the second reason is simply that the -- the purpose of the energy affordability is to help determine the intersection, if you will, of the utility issues and the social issues that -- that we've talked about. And the fact that somebody may have high medical costs, or high housing costs, or whatever, doesn't address that -- that intersection, I -- I disagree; that the expenditure -- when we're focussing on an energy affordability program to be delivered by an energy vendor, that one should consider the expenditure levels of -- of -- on other household necessities.

We -- we -- we've tried to do that in the past, looking at the -- the net income, and -- in particular in -- in Pennsylvania, and we got into discussions about how much -- how much money is appropriately spent by a household on diapers, and on infant food. And it's -- it's just not possible to go down that road, and it's inappropriate to go down that road. It's been tried and rejected.

MS. MARLA BOYD: Thank you for that. The 6 percent energy burden that you've advocated is one (1) that I'm -- when I go to looking in the literature, along with the -- the rationale for the calculation, it wasn't clear to me, although I wondered if that 6 percent calculation had originated with you, or whether you had adopted it from some other source.

MR. ROGER COLTON: I know I've used it for -- for years. And whether somebody used it before me, I actually couldn't tell you at this point.

MS. MARLA BOYD: So administratively, the calculation of the 6 percent energy burden will have to be made for each customer that participates in the program, correct?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And those calculations, as you've noted today, will vary, depending on whether the customer is electric heat or natural gas heat?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And when I look at the chart that you provided --

MR. ROBERT MAYER: If the gas company and electrical company are the same company, we send the stuff out on the same bills, does it matter?

MR. ROGER COLTON: It -- it only matters in -- in the development of the program. If the gas company and the electric company are -- are the same company, then they would send out the same bill, and they -- they would iss -- each bill 3 percent of income. That's actually what Xcel does. They -- Xcel is both the electric and the gas company.

But it -- there's still a distinct electric base load component and a natural gas component. Practically speaking, there's no -- no difference. But conceptually, there -- there is a difference.

CONTINUED BY MS. MARLA BOYD:

MS. MARLA BOYD: To be clear, Mr. Colton, the program which you've advocated here, and the one which you've presented costs for, relate only to the electric component of that bill, correct?

MR. ROGER COLTON: That's correct.

MS. MARLA BOYD: If I could turn you to Tab 4 of the book of documents. I've attached a copy of the chart which you filed in response to PUB/RCM-7B.

I'll apologize in advance for all who need glasses, but I find in looking at that chart that there's a range of benefits to the electric customers, and I focussed in this case on the electric base-load customers.

And in looking at the first group of customers with an income under ten thousand dollars ($10,000), it appears that the -- the top range of the benefit on a per-customer basis is four thousand three hundred and sixty-eight dollars ($4,368). You can take a minute, if you like, to look through, but I found that the range of benefits payable to customers was -- ranged from twenty-nine dollars ($29) to the four thousand three hundred and sixty-eight (4,368).

MR. ROGER COLTON: I'm sorry, I just don't see where you're at.

(BRIEF PAUSE)

MR. ROGER COLTON: Okay, I do see those numbers, yes. And without having looked through all of these numbers, I will accept the -- the fact that that's the highest number and the lowest number.

MS. MARLA BOYD: Highest and lowest, yes. Now your calculation of $10.8 million cost of that rate-affordability component of the recommended program is based upon a certain number of customers with a certain level of income participating in the program, correct?

MR. ROGER COLTON: That's correct.

MS. MARLA BOYD: And you've made those calculations with a forecast or assumed number of electric heating and gas heating customers, correct?

MR. ROGER COLTON: That's correct.

MS. MARLA BOYD: So in determining the costs of the program for rate-setting purposes, it's necessary to forecast the levels of customer incomes and utility accounts?

MR. ROGER COLTON: It is -- it's necessary to forecast the num -- yes, it's necessary to forecast the number of customers and the number of people you expect to participate and the benefits that you expect to deliver.

MS. MARLA BOYD: Would you advocate the company capping the number of low-income customers who could participate in the rate-affordability portion of the program?

MR. ROGER COLTON: I would not advocate that, but such an approach has been adopted, and I think reasonable people could to -- could adopt that approach as a cost control measure.

MS. MARLA BOYD: And the $10.8 million cost which you've projected is based upon 60 percent of customers identified in the charts as being eligible for benefits participating, correct? I found that 60 percent in the -- the very bottom line of the sheet: Participation rate with benefits, 60 percent.

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And if 100 percent of low-income customers eligible to receive benefits were to participate, the costs would be higher, obviously, correct?

MR. ROGER COLTON: Obviously, yes. The answer is yes.

MS. MARLA BOYD: Would your calculation of the program costs be impacted by the number or percentage of participants who were apartment dwellers with heating costs below fifteen hundred and seventeen dollars ($1,517)?

MR. ROGER COLTON: It -- the cost of the program would be affected by the energy bill. So if the number of folks below the fifteen seventeen (1,517) mark increases, the cost of the program would go down, and it would go down for two (2) reasons: (a) there would be fewer participants, and (b) the cost per participant would go down.

MS. MARLA BOYD: And if I understood your evidence from earlier today correctly, it would also be affected by the number of participants who are on social assistance, in that that benefit would be deducted from the amount before you determined whether or not they were eligible?

MR. ROGER COLTON: The -- the number of people on social assistance who have their bills completely paid by the government would affect the cost of the program by reducing the cost of the program, because the asked-to-pay amount of the customer would not be above the affordability constraint that is -- that demarcates participation versus non-participation.

MS. MARLA BOYD: Do you make any distinction in that calculation between customers who receive their social assistance either through direct billing, wherein the -- the agency would send the bills to Manitoba Hydro, versus customers who are provided with a monthly sum on account of their energy costs?

MR. ROGER COLTON: Yes, I -- I would do that. I would make that distinction. If social assistance is provided directly to the customer, then the customer could participate in the program. If social assistance makes a direct vendor payment to the -- to the utility the customer would not participate in the program.

MS. MARLA BOYD: So to the extent that a customer receives benefits on their social assistance cheque or payment, which, say hypothetically, includes a hundred dollars a month for their utility costs, you wouldn't recommend that we would deduct that hundred dollar payment from this calculation?

MR. ROGER COLTON: I -- I would not. Again, I could understand where reasonable people would differ on that, but I -- I would not do that.

MR. ROBERT MAYER: You -- now you have me confused because I thought I heard you say earlier today that if somebody is receiving a portion of their payment, and she says a hundred dollars, toward their hydro bill from welfare that goes into the deduction portion...

MR. ROGER COLTON: And I think the distinction we were just making were people who had payments directly paid to -- to the utility versus people who had their benefits paid -- paid to themselves.

Again, I -- I think it would be an eminently reasonable decision to say if you receive a hundred dollars a month from social assistance net we're going to -- to deduct that. I think that there are reasons not to do that, but -- but I don't think that that goes to the heart of the program. I think -- you know, it's -- that's a classic policy decision on -- where reasonable people can differ reasonably.

Xcel Energy -- again, to go back to -- at the risk of talking about Colorado too much, Xcel Energy does exactly what has been suggested. People received their LIHEAP benefit and they have a fifteen hundred dollar ($1,500) bill, they receive a three hundred and fifty dollar ($350) benefit, and that three hundred and fifty dollar ($350) benefit is deducted from their fifteen hundred dollar ($1,500) bill.

The Pennsylvania PUC does it -- the Pennsylvania Public Utility Commission does it differently. The Pennsylvania Public Utility Commission says that you receive a LIHEAP benefit, and the LIHEAP -- particularly given the fact that it's a fixed credit program and so people have -- are exposed to the risk of increased bills, either due to increased prices or -- or other than normal weather, given that risk that they are allowed to provide the benefit or apply the benefit against the asked-to-pay amount.

I -- I prefer the Pennsylvania approach, but either -- it's -- either one is reasonable. The -- it's not correct or incorrect, it's reasonable and either one is reasonable.

CONTINUED BY MS. MARLA BOYD:

MS. MARLA BOYD: You've mentioned the Xcel Energy program a couple of times and I just wanted to clarify, you're -- you're speaking of the program offered by Xcel Energy in Colorado?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And is that a weatherization program?

MR. ROGER COLTON: No.

MS. MARLA BOYD: It doesn't include a component of weatherization?

MR. ROGER COLTON: Well, they have a weatherization program, but the program I'm -- and they seek to integrate their weatherization program and their -- what they call their PEAP program, which is their natural gas side, and their EAP program, the energy assistance program on the electric side. The pilot energy assistance program on the natural gas side, they integrate their nat -- their weatherization program with their rate affordability program by referring their high use/high credit customers to weatherization, but they're two (2) distinctly different programs.

MS. MARLA BOYD: And --

MR. ROGER COLTON: And they work on the rate affordability side.

MS. MARLA BOYD: And is that a state funded program?

MR. ROGER COLTON: No.

MS. MARLA BOYD: It's ratepayer funded?

MR. ROGER COLTON: It's ratepayer funded.

MS. MARLA BOYD: And it's -- it's coordinated with the LIHEAP, which is the federal program?

MR. ROGER COLTON: It is.

MS. MARLA BOYD: I guess just finishing off where I got sidetracked from, in looking at your program costs that are in the response to RCM-7B, is it also possible that those costs would be impacted by a percentage of customers who have heat included in their rent and pay only for lights and plugs?

MR. ROGER COLTON: So people receive a bill for their lights, for their non-space heating, but their space heating costs are included -- included in their rent.

MS. MARLA BOYD: Correct.

MR. ROGER COLTON: And to the extent that their space heating is included in their rent, those -- those space heating costs are outside the -- the rubric of this program. So to the extent that the number of people who have space heating included in their rent increases, the cost of the program would go down.

MS. MARLA BOYD: Thank you. I just want to walk through, for the benefit of myself and perhaps others, the -- the calculation that you made in that chart. And as I understand what you've done --

MR. ROGER COLTON: I'm sorry, that chart being?

MS. MARLA BOYD: That chart being the one attached to Tab 4 --

MR. ROGER COLTON: Okay.

MS. MARLA BOYD: -- the response to PUB/RCM-7. Yes, it's pretty colours, Mr. Mayer.

So it appears that you've taken the ninety-three thousand one hundred and ninety-six (93,196) low-income customers, and then divided them into various income buckets, separate -- separated by electric heat and then gas heat, correct?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And you've calculated only the cost of the electric program, not with respect to their gas bills, as we've -- we've discussed?

MR. ROGER COLTON: That's correct.

MS. MARLA BOYD: And under the heading of each of the income buckets, as I've been calling them, you've presented various levels of electric accounts. That's what those numbers start with under two fifty (250) and run up to thirty-five-o-one (3,501) or more are?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And the second column represents the number of customers or low-income accounts in each of those bill categories?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And then do I understand that in the third column you've multiplied that number by the percentage number at the top of each of those bucket descriptors to get the number of customers that are in each of those bill classes?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And that would be true for the third column under "Electric Heating" and the sixth column under "Gas Heating," correct?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: Now the average bill for electric and gas customers you've repeated in each of those income buckets, correct?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And the -- under the heading of "Income Number 1" you've taken the median income for each of the buckets?

MR. ROGER COLTON: Yes, the midpoint, yes.

MS. MARLA BOYD: So in the blue portion, which is headed, "Electric Heating," you've calculated the affordable bill as 6 percent of the median income?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And the individual shortfall --

MR. ROGER COLTON: And you've been saying "median income," but 6 percent of the midpoint of the range.

MS. MARLA BOYD: Thank you. The individual shortfall is the difference between the average bill -- average bill and what you've described as the affordable bill?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And then if I go to the

far right side of the sheet you have "Participants," and there's a blue and green column which represents heating and non-heating customers, correct?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And then the last column over -- well, first of all, I should clarify, non-heating would be the gas heating customers, that's the same thing?

MR. ROGER COLTON: Yes, non-heating and base lo -- electric base load, yes.

MS. MARLA BOYD: In the very far column then is your calculation of the numbers of customers eligible for benefits?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And that column represents 60 percent of the participant numbers, correct?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: Okay. So in order to calculate the aggregate shortfall, do I understand that you multiply the individual shortfall by the number of participants from that far right column?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: So, Mr. Colton, in attempting to reproduce those calculations we were able to come close in terms of the calculation of electric heating costs for the customers in the income bucket that was under ten thousand dollars ($10,000). However, we seemed to encounter some difficulty with the balance of the columns.

So, for example, using the gas heat customers with bills of less than two hundred and fifty dollars ($250) and an income less than ten thousand (10,000), so that being the top line of the chart, if we were to multiply the individual shortfall of eighty dollars ($80) by the two hundred and forty-seven (247) participating customers we would arrive at an aggregate shortfall of nineteen thousand seven hundred and sixty dollars ($19,760) rather than your calculated nine hundred and sixty dollars ($960).

Have I done that right?

MR. ROGER COLTON: I -- I would think that would be the case, and I don't know where -- I don't know what the mistake is there -- or I don't know where -- what the difference is. I would have to go look at the -- the spreadsheet.

MS. MARLA BOYD: Perhaps I could, in the interest of saving some time, ask you to do that. We have made a calculation. And -- and if it's acceptable to you, I'd like to provide you with our calculation which goes through the -- the process that I've just described for each of those columns. And I can ask you to check that. If you have your own spreadsheet, you can check it against that, whichever you prefer.

MR. ROGER COLTON: If you -- you're suggestion again is, I'm sorry?

MS. MARLA BOYD: It's bigger. My eyes were very sore by the time I was finished this, so it is bigger, but in doing that calculation and, for example, looking at the under ten thousand dollar ($10,000) bucket that we've been discussing, we calculated the aggregate shortfall by summing all of those columns to be $4.491 million.

And when we go through that process for each of the columns on your chart for both electric and gas in the way that we've just run through for that first column, we calculate a total shortfall -- or a total program cost of $39,946,609.

And I'd like to give you that if -- if you'd like and then you could confirm it, perhaps by way of undertaking. Review it and confirm with me that that's correct.

MR. ROGER COLTON: I -- I will do that.

MS. MARLA BOYD: Thank you. Mr. Chairman, I'm not sure how you'd like to have that marked, if it would be for identification, or if it's marked as a Hydro exhibit at this time.

(BRIEF PAUSE)

MR. BOB PETERS: I would suggest we just mark it as Manitoba Hydro Exhibit 153, it's a document being put to the witness and he will either agree or disagree with it or provide some -- some other comments through his counsel, Mr. Gange.

--- EXHIBIT NO. MH-153: The table in the response to PUB/RCM-7

THE CHAIRPERSON: So that will be --

MR. WILLIAM GANGE: That's -- that's fine with me.

THE CHAIRPERSON: That's -- that's an undertaking.

MR. BOB PETERS: Yes, it will be.

MS. MARLA BOYD: Yes. Thank you.

--- UNDERTAKING NO. 164: Mr. Colton to compare his spreadsheet for the table in the response to PUB/RCM-7

with Manitoba Hydro's
spreadsheet and advise of any
errors

MR. ROGER COLTON: So my understanding is that my agreement, or our agreement to provide -- to do the undertaking is to compare your spreadsheet with my spreadsheet and to reconcile the two (2), or to indicate where my errors are, where your errors are.

CONTINUED BY MS. MARLA BOYD:

MS. MARLA BOYD: I'm -- well, I'm not necessarily looking for a reconciliation. My understanding based on the discussion that we've just had is that it appears that there's a calculation error in your spreadsheet. And if you can -- you can check my numbers against yours, either confirm that my numbers are correct, or provide us with an updated statement that shows -- or an updated exhibit that would show your calculation of the cost based on the -- the discussion that we've had.

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: Thank you. If I could turn to the topic of collections, you've suggested that for customers who participate in a rate affil -- rate affordability program such as this one (1) and who fail to make payments, that they would enter the collection cycle in the same fashion as any other customer. Is that right?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: It would be necessary for Manitoba Hydro to continue to implement and carry out its collection activities with these customers the same as it would any others?

MR. ROGER COLTON: Would you repeat that question again?

MS. MARLA BOYD: Yeah, just basically I'm reconfirming that it would require Manitoba Hydro to continue to implement and carry out its collection activities with these customers as it does with its other customers?

MR. ROGER COLTON: Yes, to the extent appropriate, yes.

MS. MARLA BOYD: Yes.

(BRIEF PAUSE)

MS. MARLA BOYD: I have attached at Tab 1 of the book of documents a -- an excerpt from your 2007 -- or the 2007 APPRISE paper that was referred to in the footnotes to your evidence. And it notes at the very bottom of page 14, which is the second -- third page in, that:

"There were small reductions in collection costs averaging eight dollars ($8) to sixteen dollars ($16) per customer."

In your evaluation of the Affordability Program?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: Do you see that?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: It goes on to note that -- at the first full paragraph on the top of page 15, at the bottom of the paragraph, that:

"We've not found evid -- any evidence to either support or refute the hypothesis that programs can be cost neutral. However, based on their design, certain programs are unlikely to be cost neutral. And programs that result in large reductions in payments by customers are unlikely to be cost neutral."

MR. ROGER COLTON: Yes, I agree with

that.

MS. MARLA BOYD: Now, with respect to the arrears-management component of the program, you've suggested that the time for payment should be within the reasonable planning horizon of the customer, and you suggested that that appropriate time was three (3) years.

Could you explain how you've arrive at three (3) years as being the reasonable planning horizon of the customer?

MR. ROGER COLTON: It's based on twenty (20) plus years of experience with designing and implementing and delivering these programs, both through the Federal Fuel Assistance program and through ratepayer-funded assistance programs. We have found that -- or we -- I have found that programs that move to a four (4) or five (5) year time period over which to spread arrears are -- aren't -- are not as effective as programs that spread their arrears over two (2) or three (3) years.

MS. MARLA BOYD: Have you undertaken any studies to satisfy yourself that five dollars ($5) per month is a reasonable payment on account of arrears for Manitoba?

MR. ROGER COLTON: No.

MS. MARLA BOYD: And I noted at page 42

of your evidence that in Ontario you recommended 1 percent of income per year?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And by my math, that was -- five dollars ($5) a month, or sixty dollars ($60) a year, would be the equivalent of six thousand dollars ($6,000) of annual income for a Manitoban. That would appear to be lower than what would be expected in most cases in Ontario, correct?

MR. ROGER COLTON: That -- those are two (2) distinctly different approaches, yes.

MS. MARLA BOYD: And I take it I understand your evidence correctly, that, regardless of the level of arrears which a customer may enter the program with, the payment would be five dollars ($5) a month for three (3) years?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: So that monthly payment doesn't bear any relationship to the actual amount of the arrears?

MR. ROGER COLTON: That's correct.

MS. MARLA BOYD: Your calculation of the cost of that arrearage-management component of the program, which is at page 55 of your evidence, if you need a reference, assumes 40 percent participation in this component, and that 30 percent of customers would have arrears, correct?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And you've calculated that cost to be $2.7 million?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And that's an annual cost over three (3) years, correct?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: So the total cost for the first group of customers that would participate would be $8.1 million over the three (3) years?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And I take it your expectation is that this isn't a one (1) time program, that it would be an ongoing program available to customers from time to time?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And, as such, the $2.7 million estimate doesn't take into account any new participants in the subsequent years, does it?

MR. ROGER COLTON: That's correct.

MS. MARLA BOYD: And assuming that additional customers joined the program in subsequent years, the cost of arrears forgiveness for those customers would be in addition to the amounts that we've already discussed?

MR. ROGER COLTON: They would, yes. The $2.7 million wouldn't be over three (3) years, it would be over -- over a more extended period.

MS. MARLA BOYD: Customers aren't required to participate or qualify for the rate-discount program or rate-affordability program in order to also participate in the arrears-management program, are they?

MR. ROGER COLTON: That's correct.

MS. MARLA BOYD: I suppose, given that, that 100 percent of the customers that entered the arrears-management program would have arrears rather than 30 percent, correct?

MR. ROGER COLTON: A hundred percent of the people in the arrears-management program, yes.

MS. MARLA BOYD: And I noted in the response to PUB/RCM-9D that you were asked, and did calculate, the arrears-management costs assuming 100 percent participation?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And I've included that at Tab 5 of the book of documents. Based on that answer, you've indicated that, for customers with arrears over a hundred and eighty dollars ($180), the cost of 100 percent participation would be $8.928 million?

MR. ROGER COLTON: Yes, but we're -- we're mixing up some numbers here. The -- we start with 100 percent of the eligible population, we calculate the number of people who -- of that 100 percent who will participate in the program, and then we calculate the percentage of the people who participate in the rate-affordability program who will have arrears. So the 30 percent is the percentage of the participants who will have arrears. So the fact that 100 percent of the people who participate in the arrearage-management program will have arrears. I mean, that's self-evident.

MS. MARLA BOYD: Right.

MR. ROGER COLTON: That doesn't change the fact that the 30 percent is -- is multiplied times the number of participants, not times the number of participants in the arrearage-management program.

MS. MARLA BOYD: And if --

MR. ROGER COLTON: So you're -- you're confusing some numbers.

MS. MARLA BOYD: But I am correct that if all of the customers who are eligible, that would be customers with arrears, that participated -- if you had a hundred percent participation rather than 40 percent participation, that the cost would be $8.928 million per year.

MR. ROGER COLTON: I -- I remember calculating that number and whatever number I provided you was -- I accept.

MS. MARLA BOYD: Yeah, you'll find it at Tab 5, it's the second page of your answer.

And I understand you to say that you calculated that in the same manner as you did in the report, which means that you'd have to multiply that number by three (3) years to get the total cost for those customers?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: So that would be $26.784 million?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And to the extent that we had more than 30 percent of low-income customers with arrears the cost of that program would be higher, correct?

MR. ROGER COLTON: That's correct.

MS. MARLA BOYD: And your calculation is based on an average arrears of nine hundred dollars ($900)?

MR. ROGER COLTON: That's correct.

MS. MARLA BOYD: And to the extent that

the arrears were higher than the average of nine hundred dollars ($900) the cost would be higher as well, correct?

MR. ROGER COLTON: To the extent that the average arrears were higher than nine hundred dollars ($900) the cost of the arrearage-management program would be higher, yes.

MS. MARLA BOYD: Yes. Thank you. Now on page 56 of your evidence you've calculated the cost of the proposed low-income affordability program. And I have included page 56 at Tab 6 of our book of documents for your ease of reference.

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: So when I look at Table 17 of that evidence, and subject to your confirming a review of -- of the numbers that we've talked about today, those numbers would change, correct? The rate discount, rather than 10.8 million could be as high as $39 million?

MR. ROGER COLTON: Assume -- assuming your calculations rather than mine, yes.

MS. MARLA BOYD: Yes. And the cost of the arrearage management, rather than $2.7 million could be as high as $8.1 million depending on the level of participation. And if you were to take into account the full cost of that in the first year would be -- would be

8.1 to $24 million, correct?

MR. ROGER COLTON: Assuming that 100 percent of the people participating -- of the eligible participants participated and assuming that everybody had arrears, yes.

MS. MARLA BOYD: I scrambled that a little bit, I combined two (2) things. So let's try it again.

The $2.7 million is an annual cost for three (3) years based on the first group of customers that you assume --

MR. ROGER COLTON: That's correct.

MS. MARLA BOYD: -- will participate. So the full cost for those customers would be $8.1 million, correct?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And conversely, if we were to have a hundred percent participation, higher participation, the single year cost would be $8.928 million and the three (3) year cost would be $26.78 million, correct?

MR. ROGER COLTON: Yes. And that's simply a higher participation but a 100 percent participation.

MS. MARLA BOYD: And your crisis

intervention is based, as I understood your evidence, on 5 percent of the cost of the rate discount in the arrears management?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: So to the extent that those numbers increase I would take it you would suggest that the crisis-intervention component should also increase?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And the administration is based on 10 percent of the total of the three (3) numbers above that, correct?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: So that number would also increase?

MR. ROGER COLTON: It would indeed.

MS. MARLA BOYD: So perhaps I could ask you by way of undertaking and -- and based on those discussions to confirm once you've had an opportunity to look at the rate discount amount, that based on those numbers the potential cost of this program, including a 5 percent crisis intervention and 10 percent administration, would be $55.4 million as an annual number. Would you undertake to do that?

MR. ROGER COLTON: We -- yes. I don't

know the protocol. Yes, we will -- we will confirm that. We will provide that number.

MS. MARLA BOYD: Thank you.

MR. ROGER COLTON: Or, we will provide that confirmation.

--- UNDERTAKING NO. 165: Mr. Colton to confirm the potential annual cost of the program, including a 5 percent crisis intervention and 10 percent administration, of $55.4 million

CONTINUED BY MS. MARLA BOYD:

MS. MARLA BOYD: Now, you've proposed that the costs of the non-efficiency programs -- and by that I understood you to mean the arrearage management, the rate discount, and the crisis intervention. Do I have that right?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: That that be included -- or recovered through a fixed meters charge varying among classes?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: Now would you propose that that be included in the bill by way of a separate line item identified as lower-income programming or some other descriptor?

MR. ROGER COLTON: No.

MS. MARLA BOYD: Why not?

MR. ROGER COLTON: Because the -- the Company doesn't provide other aspects of its billing for -- or it's credit in collection or its budget billing as a separate line item. There is nothing unique about this program which would call for it to be separate -- separately identified on the bill.

MS. MARLA BOYD: Would you expect that some customers -- some other customers might object to the inclusion of such an amount on their bill?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: According to the table on page 57 of your evidence, which I've included as the next page in Tab 6, you've suggested that recovery from the general service medium customers would be in the order of six hundred dollars ($600) per year. Do you see that?

MR. ROGER COLTON: I do.

MS. MARLA BOYD: And do you understand that the general service medium class includes customers such as nursing homes, seniors housing, and schools?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And you've also suggested that residential customers would pay twelve dollars ($12) per year on account of these programs, correct?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And you would collect that from seniors, from single mothers, from families, correct?

MR. ROGER COLTON: yes.

MS. MARLA BOYD: And from customers who perhaps would barely escape qualifying for the programs that we're funding?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And to the extent that the costs are revised upwards, as we've looked at in the undertaking I've just asked you to provide, these charges would also have to be revised upwards, correct?

MR. ROGER COLTON: If -- if one were to preserve the program, as I suggested it, yes, given those costs.

MS. MARLA BOYD: And to the extent that the numbers that I provided you you're able to confirm, the 15 million would become 55 million, which would increase almost fourfold. That would suggest that the six hundred dollars ($600) per year for nursing homes and senior homes and the like would have to become almost twenty-four hundred dollars ($2,400) a year?

MR. ROGER COLTON: Assuming an across the board reflection of the increased prices, yes.

MS. MARLA BOYD: Thank you.

MR. ROGER COLTON: Prices meaning program costs.

MS. MARLA BOYD: If I could just ask you to turn for a minute to your RCM Exhibit 12. You discussed earlier the slide that follows --

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: The title is "Net Back: Putting it all Together"?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: This refers to the Citizen Coke Utility?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: And how does it compare in size with Manitoba Hydro? Do you know?

MR. ROGER COLTON: It would be considerably smaller than Manitoba Hydro. Citizen Gas and Coke Utility, CGCU, is a utility serving Indianapolis --

MS. MARLA BOYD: And --
MR. ROGER COLTON: -- the city of Indianapolis.
MS. MARLA BOYD: Thank you. Is the administration cost of the program that's referred to on that included in the chart?
MR. ROGER COLTON: No.
MS. MARLA BOYD: And by program, do I understand that to be the same program that you're advocating for Manitoba with the four (4) components?
MR. ROGER COLTON: It has a -- it's not a fixed-credit percentage of income program. It is a percentage of income based, what's called a tiered discount program. It's -- it does have a crisis component, and it does have an arrearage-management component.
MS. MARLA BOYD: Thank you. Now, looking at the top line, "The Originally Billed Amounts Without Program and With Program," it appears that the amounts originally billed are approximately 10 percent higher.
Is that right?
MR. ROGER COLTON: Yes.
MS. MARLA BOYD: And that 10 percent difference represents the cost of what the program -- those program components you've just reviewed with me,

the -- the tiered discount, the arrears forgiveness, and the crisis management?

MR. ROGER COLTON: yes.

MS. MARLA BOYD: I noted that the -- the chart contains post-program references for revenue collected and collections.

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: Is that because customers cease to participate in the program or how do you develop that cost?

MR. ROGER COLTON: Now, the first one (1), the revenue collected during a progra -- during the program is a one (1) year number, but collections occur subsequent to one (1) year of participation, so it simply extends the collection into a second year.

MS. MARLA BOYD: Now, when I add the revenue during -- both during the program and post the program for the column without the program, I note that the revenue collected is two hundred and sixty thousand two hundred and seventy-four dollars ($260,274).

Can you confirm that? I've added the one ninety-four five seventy-seven (194,577) and the sixty-five six ninety-seven (65,697).

MR. ROGER COLTON: I -- I will accept that without showing the arithmetic here.

MS. MARLA BOYD: And in comparing that with the revenue collected with the program, and those same two (2) lines, I actually get a lower number, two hundred and fifty-nine thousand one hundred and ninety-four dollars ($259,194).

Will you also take that subject to check?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: So that suggests to me that the utility's actual dollar revenues were higher without the program?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: I wanted just to address the -- the comments that you made this morning, I believe it was, with respect to the suggestion that the business case for the program in Manitoba could be broadened. And you suggested in your conversation with the Chair that it could be expanded to include benefits to the province of Manitoba as a whole, including hospitalization, social services, and housing programs. Do you recall that?

MR. ROGER COLTON: Yes.

MS. MARLA BOYD: You haven't undertaken that analysis, have you?

MR. ROGER COLTON: No.

MS. MARLA BOYD: And if you were to undertake such an analysis, would you expect that that would be a service requested by the province of Manitoba to consider all of those variables?

MR. ROGER COLTON: I'm not sure what you're asking there. Can you restate that question?

MS. MARLA BOYD: Essentially, I'm asking who your client would be in that scenario. If someone were to ask you to conduct that business case, it would be conducted for the province of Manitoba?

MR. ROGER COLTON: I could --

MR. WILLIAM GANGE: It's a hypothetical question. He hasn't been asked that. He was asked by the chair, hypothetically, is -- can a -- can a broader case be made, but he -- he -- who his client would be, it could be anybody.

MS. MARLA BOYD: Well, certainly, Mr. Gange, but as an expert he's entitled to give his opinion on a hypothetical and -- and in this scenario, the point being that Hydro being one (1) component of that it -- it wouldn't necessarily be Hydro that would be engaging the -- the services for such a broad analysis. It would be more likely requested by the -- the party to benefit, that being the province, correct?

MR. WILLIAM GANGE: Given the hypothetical nature of the Chair's question and -- you're -- you're going into a territory that I don't -- I -- I personally don't believe that Mr. Colton can answer, and I'd object to the question.

THE CHAIRPERSON: Actually, I don't -- I -- I'm hoping that we're not making this our mountain out of a molehill. I mean, the -- the question I -- I posed was pretty straightforward, was the Mr. Colton had developed his program featured on the cost and benefits to a utility.

But he had indicated at the same time in the very beginning of his testimony that he talked about issues such as health and -- and things of that particular nature. And the -- the question I basically posed was presumably the business case could be broadened on the benefit side to include benefits that would accrue to the parent beyond that of the subsidiary.

MR. WILLIAM GANGE: Yes, and the client in giving that expert testimony would be RCM/TREE.

MR. ROBERT MAYER: The -- and -- and who is going to pay for it? It could -- it could successfully be argued that if the province was the benefactor, the province would have to pay for that part of the program. I don't -- I mean, that -- all that makes sense, and I don't think I need an expert to tell me that.

THE CHAIRPERSON: I -- I -- I certainly

didn't mean to delve in as to who the client was. I could imagine in such a situation if one wanted to look either broad, it would be the -- the parent, but presumably you could also delegate it to the subsidiary if it wished. I don't know if I helped you or not, Ms. Boyd.

MS. MARLA BOYD: I -- I think that's fine. Thank you. If I could just have a minute with my client, I -- I may be concluding.

(BRIEF PAUSE)

CONTINUED BY MS. MARLA BOYD:

MS. MARLA BOYD: I have just one final question and if -- if you can't answer it that's fair, but there's -- I'm being handed stuff from the Internet as we go, so you'll -- you'll forgive me if I'm not very eloquent about it.

But the Xcel Energy program that you referred to, it appears from my client's research that the low-income rate-assistance program is operated through the state department of revenue. You've suggested that that's a rate funded -- ratepayer-funded program, and I'm just wondering if you can clarify that for us, please.

MR. ROGER COLTON: Yeah, I -- I don't know what program you're looking at operated through the state department of revenue.

I know Colorado has a -- an energy-credit program that -- that they provide -- maybe even limited to tenants. But the fact of the matter is, the Xcel program -- there are two (2) Xcel programs, and please don't laugh, one (1) is called PEAP, the Pilot Energy Assistance Program, which is the natural gas program. One (1) is called EEP, the Energy Assistance Program, which is the electric assisted program. They are both percentage of income based, fixed-credit programs. They're both approved by the Colorado Public Utility Commission, they're both ratepayer-funded. They are not LIHEAP, which is LIHEAP, or the Low-Income Home Energy Assistance Program. It's not the tax credit program.

So I simply don't know what you're looking at off the Internet, but it's not what I'm working on for Xcel.

MS. MARLA BOYD: So the Xcel Energy low-income rate-assistance program, which is a property tax, rent, and heat rebate operated through the state department of revenue --

MR. ROGER COLTON: Yeah.

MS. MARLA BOYD: -- allowing tax rebates

for home heating payments to residents at least sixty-five (65) years old is a third program, or a fourth program, if you will, it's different than the one that you were looking at?

MR. ROGER COLTON: Yes. That -- that's not an Xcel program at all, that's what I mentioned. There is a tax -- a tax credit program that's operated through the state, but it is what it is, it's a state-funded program primarily for renters. I'm working on an Xcel ratepayer-assistance program that was proposed to and approved by the Colorado Public Utility Commission.

MS. MARLA BOYD: Thank you.

MR. ROGER COLTON: Two -- two (2) entirely separate programs.

MS. MARLA BOYD: Thank you for your answers. And that concludes our cross-examination.

MR. WILLIAM GANGE: If -- if I could just say, Ms. Boyd, Mr. Colton has -- has agreed by way of undertaking to respond to Manitoba Hydro 153.

It would be of significant importance to him if he receive this in electronic format on a spreadsheet so that he can duplicate this from -- from the spreadsheet that you've -- that you've created.

MS. MARLA BOYD: I am not the maker of the document, but I will do my best to provide it.

MR. WILLIAM GANGE: Okay. That -- that makes -- it would make it much easier for him.

THE CHAIRPERSON: Thank you, Ms. Boyd. Mr. Peters.

MR. BOB PETERS: Yes, thank you. I'm still in awe of Mr. Gange getting Ms. Boyd to agree to provide an unlocked spreadsheet in a regulatory proceeding, so.

MS. MARLA BOYD: I just said I'd do my best.

CROSS-EXAMINATION BY MR. BOB PETERS:

MR. BOB PETERS: Well, I can't believe I heard that. But, Mr. Chairman, I'm mindful of your comments. And Ms. Boyd has -- has examined and asked the questions that I think related to the PUB/RCM/TREE Information Request number 7, and also PUB/RCM/TREE Information Request number 9, both of which were found in Manitoba Hydro Exhibit 152 that Ms. Hutchinson and Ms. Boyd provided and reviewed with you.

But I do want to turn with you, Mr. Colton, on just a few areas, one (1) is the 6 percent energy burden number. Would you agree with me that there is no magic in that number?

MR. ROGER COLTON: To a limited extent.

MR. BOB PETERS: And it's either self-modesty, or perhaps faulty memory, going back as to the derivation, but -- but it really came as I recall reading it in your materials, although I can't quite put my finger on it, it was to do with the 30 percent of household income to support the housing costs, and of that 20 percent related to -- to energy costs.

MR. ROGER COLTON: Yes.

MR. BOB PETERS: And -- and that was either your calculation or one (1) that you liked way back when and you've used it ever since and --

MR. ROGER COLTON: Yes.

MR. BOB PETERS: -- you've kept it that way. Would it be correct to say that, as you and Ms. Boyd were talking about the numbers, and you wanted to -- to check the spreadsheet, that if the -- the 6 percent energy burden number was changed, let's just use 12 percent for my question, that doesn't necessarily mean the costs of the program would be halved or cut by 50 percent, does it?

MR. ROGER COLTON: No, the cost of the program would go down but not necessarily by half.

MR. BOB PETERS: And that's because the largest affordability credits that you're advocating be given would be still given to those who are in that 6 percent or more energy burden?

MR. ROGER COLTON: Yes. It's not a linear relationship.

MR. BOB PETERS: Correct. But if -- if the regulator said, Look it, we only have so much money available to -- to try a pilot program or to jump into this affordability credit program, how should the regulator determine where the cutoff is?

MR. ROGER COLTON: It's -- it's really a question of -- of balancing the -- the costs, as I talked about, with the -- the Company. I think it would be a reasonable decision to look at -- and what the impact would be if one moved to 8 percent, if one moved to 10 percent. I actually think 12 percent goes beyond the -- the line of reasonableness. But if the -- the costs are as the Company suggests, it would behoove us to look at different burdens.

MR. BOB PETERS: What you're saying by that answer, without conceding that Ms. Boyd's math is any better than yours, that when you designed your evidence you were looking at a pro -- an approximate $15 million a year cost under your proposal, correct?

MR. ROGER COLTON: That's correct.

MR. BOB PETERS: And if the math comes out closer to 55 million, or some three and half (3 1/2), four (4) times more than what you thought, that would give you pause as to what the energy-burden threshold should be?

MR. ROGER COLTON: Yeah, if -- that relates back to your first question. The affordability demarcation is what it is. The -- the literature shows that -- that bills be -- start becoming unaffordability at 6 percent. The question that's then presented is to what extent does this commission or Manitoba wish to address that, given how much it would cost. And there is never a proposal to say we should address affordability no matter the cost. That's not something that's on the table.

So if it's a $55 million program, even I would suggest that we shouldn't address everything over 6 percent. We need to start looking at alternative burdens. Did that --

MR. BOB PETERS: And by alter -- I'm sorry to interrupt. I -- I didn't mean to interrupt you.

MR. ROGER COLTON: Oh, I -- I ju -- I didn't know if that answered your question.

MR. BOB PETERS: Well, by alternative burdens, what you're telling the Board is, instead of 6 percent energy burden, you would elevate it to 8 percent or 9 percent or 10 percent to -- to start?

MR. ROGER COLTON: Yes.

MR. BOB PETERS: And, likewise, the use of 125 percent of the low-income cutoff by Stats Canada, that, again, is a number that you have used based on your experience but, again, a relatively arbitrary number that you've picked?

MR. ROGER COLTON: Yes. And if one wanted to limit the cost of the program, and if we said we -- we can't afford 125 percent LICO, we should use 100 percent LICO, that should be on the table.

MR. BOB PETERS: I thought I had it understood when Mr. Williams finished his questions. And then I thought I better understood it when Ms. Boyd asked. And then there was some -- something I lost, but help me with this. And I -- I'm going to use this only in a vernacular and not meant disrespectfully.

But as I understood your evidence, there is, under your program design, the ability and the expectation that some residential customers will double-dip, using my words, in the sense that they will not only get 100 percent of their energy costs paid for through a social-assistance program, but they will also get on top of that an affordability credit under your program.

MR. ROGER COLTON: That's -- that's correct, unless the commission simply says, As a matter of policy, we're deciding that we're going to do a Colorado approach rather than a Pennsylvania approach and say, If you receive 'X' number of dollars in social assistance, whether it's paid directly to the company or whether it's paid directly to you, we're subtracting that, then that double-dipping is possible.

MR. BOB PETERS: But the payment of the social assistance would have to expressly include an amount on account of energy.

MR. ROGER COLTON: Yes.

MR. BOB PETERS: So not only would the homeowner be getting, perhaps, a -- support for a rental accommodation payment, but they would also get a food and grocery allowance, maybe transportation allowance, but they would also be getting energy payments included in their amount.

MR. ROGER COLTON: A payment explicitly designated as an energy-assistance payment, yes.

MR. BOB PETERS: And you're not familiar with how that transpires in this jurisdiction.

MR. ROGER COLTON: I am not.

MR. ROBERT MAYER: Well, Mr. -- Mr. Peters, though, if -- if the payment is made to the energy company, what the hell else could it be other than an energy payment?

MR. BOB PETERS: I need all the help I can get here but --

MR. ROGER COLTON: Well, no. That's --

MR. WILLIAM GANGE: Could we have a minute? Could we have a minute? Just --

MR. BOB PETERS: Yeah.

MR. WILLIAM GANGE: I just need to...

(BRIEF PAUSE)

MR. ROGER COLTON: So -- so there are two (2) different instances here. If social assistance is paying a bill directly to -- to Hydro, there's no que -- it's an energy-assistance payment. The company receives it, they know who it's coming from, and it -- that reduces the asked-to-pay amount. If social assistance pays a benefit -- and -- and that's -- it's called a direct vendor payment.

If social assistance pays an energy benefit to the customer, to the household, that payment would need to be designated as an energy-assistance payment in order for that to be appropriately subtracted from the -- the energy bill. So there are two (2) different circumstances.

MR. ROBERT MAYER: Both of which,

however, do result in the payment -- in the payment not -- or in either case, there's no double-dipping.

MR. ROGER COLTON: There would only be a double-dipping -- there wouldn't be a double-dipping if the program design that -- that the -- the commission said is, We subtract all energy assistance payments from -- from the bill before calculating the credit. That's what they do in Colorado. Other states do it differently. It's an eminently reasonable decision to adopt that program structure.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: And -- and not to confuse things further, but your recommendation to this Board is that they shouldn't pay heed to, in designing the program, whether there is a third-party payment of the energy bill for a residential customer of Manitoba Hydro. That shouldn't preclude a customer from being entitled to an affordability credit.

MR. ROGER COLTON: I'm sorry, say that just one (1) more time.

MR. BOB PETERS: All right. Under the program you're recommending in your materials --

MR. ROGER COLTON: Yes.

MR. BOB PETERS: -- it is possible and --

and permitted that an individual that receives a direct benefit to -- paid to themselves on account of including energy costs, would still be entitled to an affordability credit.

MR. ROGER COLTON: Yes. That's the way -- that's the way I would do it.

MR. BOB PETERS: And -- and the way -- that's your recommendation, which does then include the -- in my words, the double-dipping, that a customer would be getting more than 100 percent of their energy costs covered by the -- by your recommendation.

MR. ROGER COLTON: Well, I was with you up until you said that they could incl -- they could be receiving more than 100 percent of their energy costs. The reason I would do it that way is because of the fixed-credit nature of the bill.

So because of the -- the credit is fixed rather than the payment being fixed, the customer is subject to the risk of bills going up because of colder than normal weather, or for whatever reason. And letting that benefit stay with that -- the customer protects the customer against that risk.

However, that -- that's one (1) of two (2) ways to do it. The other way is simply to say, if you receive a hundred dollars of energy benefit then we're going to subtract that from your bill before calculating your fixed credit.

MR. BOB PETERS: And you were saying that that's the Colorado example.

MR. ROGER COLTON: The Colorado example is to subtract it, the Pennsylvania example is not to subtract it.

MR. BOB PETERS: All right. I think we have both of those points.

And -- and just to you last comment. If a customer receiving an affordability credit every month on their hydro bill, manages to reduce the amount of the bill, whether it is weather-related or consumption control related, the customer would keep the full affordability credit.

MR. BOB PETERS: Yes, absolutely. That's the -- that's the deal. You pay for any increase, but you get to keep any sav -- savings.

MR. BOB PETERS: All right. That leads to my next question where we've talked in these proceedings before that the consumer -- and maybe it was the economist speaking at the time, but the consumer needs a price signal to understand that if -- if they're using too much energy and leaving the doors open or not insulating, there's a signal there that your bill is gonna get larger, so do something to control the bill. And that's known as a price signal, correct?

MR. ROGER COLTON: Yes.

MR. BOB PETERS: Your evidence seems to suggest that for low-income customers price signals aren't important.

MR. ROGER COLTON: No, my evidence is that for low-income customers price signals are -- are ineffective.

If -- if you're paying sixty dollars ($60) of a one hundred and twenty dollar ($120) bill, the fact that your bill might be one hundred and thirty dollars ($130) or one hundred and forty dollars ($140) if you increase your consumption, doesn't provide you an effective price signal because you're only going to pay sixty dollars ($60) anyway because that's what you can afford.

And by moving to a fixed credit where you know that if you increase -- a fixed-credit percentage of income program, if you increase your consumption your asked-to-pay amount is going to increase there, and if you reduce your consumption your asked-to-pay amount is going to decrease, there is a far more effective price signal.

So I'm actually acknowledging the

importance of price signals, but suggesting that the pro -- that the delivery of the price signal is far more effective under a fixed-credit percentage of income program than under simply fully embedded rates.

MR. BOB PETERS: But if the consumer then is paying only sixty dollars ($60) a month and receiving a fixed affordability credit for the balance of their bill, and then they go into arrears on their sixty dollars ($60) a month payment, do they then become eligible for the arrearage program that you mentioned?

MR. ROGER COLTON: You -- you flipped the payment responsibilities. The -- under the fixed-credit percentage of income program it is the credit that is fixed and not the -- not the payment. So under a fixed -- under a fixed-credit you pay -- you pay the difference between your standard residential bill and your fixed credit.

If you -- well, different utilities do it differently, some utility -- as far as arrearage management. Some utilities say that in order to earn an arrearage credit on a monthly basis you have to make your payment. Some utilities say that you have to make your payment on a full and timely basis, and if you don't you lose that -- that credit across the board. And some other utilities say for every month you participate you will earn an arrearage-management credit.

And, to be honest, it is driven as much by what the utility's information system is capable of -- of doing, as it is by some philosophic or principled basis, but there are different ways to -- to grant an arrearage credit -- an arrearage-management credit.

MR. BOB PETERS: All right, I appreciate that the -- the credit is fixed, and we'll use sixty dollars ($60) a month if that is the number that we've been talking about in some examples. And if the consumer is -- if they're -- the required amount they're to pay in a typical month is the fifty dollars ($50) but they don't pay the fifty dollars ($50), you're saying that they may not automatically be eligible for an arrearage program under your recommendation?

MR. ROGER COLTON: Tha -- that's right. Tha -- that's an issue that doesn't go to whether there should be an arrearage-management program. That's an implementation issue, whether you want to say, We'll give you an arrearage-management credit every month no matter what your payment is, whether you say for every payment that you fe -- full payment you make we'll give you an arrearage credit, or whether you say, We'll only give you an arrearage credit if you make your payment in full on a timely basis.

Tha -- those -- that's an implementation question that needn't be addressed at this point but would -- would before the program is put on the street.

MR. BOB PETERS: Moving to a different area in terms of who pays for the program, you've shown the Board in both -- I guess it's on page 57 of your materials, it was also in the Manitoba Hydro Exhibit 152 under Tab 6 of that document, that you would recommend this Board charge a meter charge to not only the residential class that would be the beneficiary of the program but also to the general service medium, the general service large customers, correct?

MR. ROGER COLTON: Yes.

MR. BOB PETERS: And, again, there's some issues over the dollar amounts, whether it's two hundred dollars ($200) a month for the general service large or eight hundred dollars ($800) a month. We'll have to see where the numbers come in. But why should a general service large customer contribute to this program to cross-subsidize the residential customer?

MR. ROGER COLTON: Well, the -- the broad answer is that universal service is frequently considered a public good and it -- it should be supported by the -- the po -- the customer base as a whole. A non-participating residential customer no ma -- no more causes the need for this program than a non-participating general service customer.

The second question -- or the second response is that there are benefits to the population -- the customer population as a whole from adopting a program such as this. And there -- some of those benefits are so -- social benefits, but other benefits include the indirect benefits which I discuss in detail in my exhibit -- or my attachment to my direct testimony.

So there -- there isn't a causal relationship associated with the residential base, and there are benefits that are de -- delivered to the entire re -- customer base, residential or non, and so all customers should be called upon to help fund the program.

MR. BOB PETERS: Does that answer apply even if it's not -- if there's not a full cost recovery on a utility basis, even if it ends up costing more money than it saves?

MR. ROGER COLTON: Well, as I've indicated before, the -- that's not a test that -- that I apply. The fact that -- the question of whether it costs more money than it saves is a different test than the test of cost effectiveness, which -- which I presented in -- in my attachment. So the answer to your question is yes.

MR. BOB PETERS: Changing to one (1) last area, Mr. Colton, have you had experience in designing the low-income affordability rate programs outside of a utility setting, that is a program of that nature administered by an agency other than a utility?

MR. ROGER COLTON: Yes.

MR. BOB PETERS: Can you explain the nature of that involvement and the nature of that -- how that program rolled out?

MR. ROGER COLTON: Limited to energy assistance programs, you mean.

MR. BOB PETERS: Well, okay. Let me ask it this way: The -- we -- this -- this Board has heard of there being separate agencies designed to deliver on the energy efficiency programs in some jurisdictions, and you're familiar with some of that?

MR. ROGER COLTON: Yes.

MR. BOB PETERS: Have those same agencies every been involved in administering the low-income affordability rate programs?

MR. ROGER COLTON: Yes.

MR. BOB PETERS: All right. Can you explain which --

MR. ROGER COLTON: And --

MR. BOB PETERS: -- which one you're

talking about?

MR. ROGER COLTON: The -- the community -- there are two (2) different types of agencies that I've worked with rather than utilities. One are community-based organizations such as entities that are called community action agencies, which were -- were created under the energy -- or the Economic Security Act of 1964 in the United States at the federal level.

So those agencies are deeply involved with delivering both the energy rate affordability and the energy efficiency programs to low-income households. And then in -- in addition, there are the LIHEAP agencies, the state and county agencies throughout the United States, that deliver the Federal Fuel Assistance Programs.

Even setting those aside, some of those same agencies are in -- what I thought you were asking is whether there are non-energy programs, and there are, for example, water affordability programs that are largely structured along the -- the same lines as an energy rate affordability program. The percentages are different. The percentages demarcating affordable from unaffordable are different, but the structure of the programs tends to be similar.

MR. BOB PETERS: Is the funding for those low-income affordability rate programs funded by ratepayers or by governments?

MR. ROGER COLTON: Those are two (2) distinctly different programs. The rate affordability programs on the energy side, some are funded by the federal LIHEAP program, some are funded through a combination of ratepayer funds and -- ratepayer-provided funds and taxpayer-provided funds. The State of Nevada, the State of Illinois, both have combination programs. Some are funded entirely with ratepayer-provided funds. The State of Pennsylvania, the State of New Hampshire are completely ratepayer funded, so there -- there is no one (1) model along those lines.

MR. BOB PETERS: Thank you. I think the Board has the answers you gave Mr. Williams on those same topics, so --

THE CHAIRPERSON: Mr. Peters, just one (1) second.

MR. BOB PETERS: Yes.

THE CHAIRPERSON: Mr. Colton, in the case of the ones you were saying were the -- the states that they were all, if you like, ratepayer funded, I -- maybe I misunderstood, but I -- I thought that there was a federal program that applied to all -- all states.

MR. ROGER COLTON: In the United States,

there is a program called LIHEAP, the Low-Income Home Energy Assistance Program. That's a block grant program and it's provided in all states. Unfortunately, at the risk of editorializing, not all LIHEAP agencies coord -- coordinate and integrate the provision of LIHEAP assistance with ratepayer assistance programs. That -- that's -- it's unfortunate.

The -- the better designed programs do have a coordination between, and an integration between, the LIHEAP program and the ratepayer-funded programs.

THE CHAIRPERSON: So who keeps the -- the federal money in New Hampshire?

MR. ROGER COLTON: The -- the LIHEAP agency in New Hampshire distributes LIHEAP benefits to income-eligible households. Unfortunately, New Hampshire is a good example where the LIHEAP benefit doesn't take into ac -- into account the ratepayer-provided benefit, and it's -- all I can say is it's something that a number of us have worked on for a long time to remedy that because it makes no sense, but New Hampshire happens to be a program where the LIHEAP program and the ratepayer-funded program are -- are separate programs, and why they would want to do that escapes me.

THE CHAIRPERSON: Thank you, sir. Mr. Peters...?

MR. BOB PETERS: Mr. Chairman, those complete my questions of Mr. Colton. I'd like to thank him for his answers. Thank you.

MR. ROGER COLTON: Thank you, sir.

THE CHAIRPERSON: We, too, would like to thank you, Mr. Colton. We appreciate your evidence, and thanks also to Mr. Gange for helping you through the day.

So that brings to a close today, and not that -- all that bad. And tomorrow, I'm looking here, we have Mr. Chernick and Mr. Wallach, correct? And that is to take us through the entire day.

So we'll see you tomorrow morning at 9:30. Thank you.

(PANEL STANDS DOWN)

--- Upon adjourning at 4:44 p.m.

Certified Correct

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Cheryl Lavigne, Ms.