

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

MANITOBA PUBLIC UTILITIES BOARD

Re: 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  
June 8, 2011  
Pages 7879 to 8133

1 APPEARANCES

2 Bob Peters ) Board Counsel

3 Anita Southall )

4

5 Patti Ramage ) Manitoba Hydro

6 Marla Boyd )

7

8 Byron Williams ) CAC/MSOS

9 Myfanwy Bowman (np) )

10

11 Antoine Hacault (np) ) MIPUG

12

13 Michael Anderson (np) ) MKO

14

15 William Gange ) RCM/TREE

16

17 Delanie Coad (np) ) SCO

18

19 Denise Pambrun (np) ) City of Winnipeg

20

21 Gavin Wood ) Independent Experts

22

23

24

25

	TABLE OF CONTENTS	
		Page No.
1		
2		
3	List of Exhibits	7882
4	List of Undertakings	7883
5		
6	CAC/MSOS PANEL 2:	
7	THOMAS CARTER, Sworn	
8		
9	Ruling (Qual)	7889
10	Examination-in-chief by Mr. Byron Williams	7889
11	Cross-examination by Mr. William Gange	7968
12	Cross-examination by Ms. Marla Boyd	8006
13	Cross-examination by Mr. Bob Peters	8019
14	Questioned by Board	8032
15	Re-direct-examination by Mr. Byron Williams	8036
16		
17	REBUTTAL EVIDENCE:	
18	MANITOBA HYDRO PANEL:	
19	DAVID CORMIE, Resumed	
20	VINCE WARDEN, Resumed	
21	HAROLD SURMINSKI, Resumed	
22		
23	Re-direct-examination by Ms. Patti Ramage	8040
24		
25	Certificate of Transcript	8133

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

LIST OF EXHIBITS

Exhibit No.	Description	Page No.
CAC/MSOS-32	Dr. Carter's evidence updates	7886
CAC/MSOS-33	Affidavit of Catherine Mary Wirt	7887
CAC/MSOS-34	Dr. Carter's CV	7888
CAC/MSOS-35	2009/'10 Report of the Department of Family Services and Consumer Affairs of the Province of Manitoba	7967
RCM/TREE-13	Few pages of documents	7968

	LIST OF UNDERTAKINGS		
	No.	Description	Page No.
1			
2			
3	173	Dr. Carter to indicate the percentage	
4		of Manitoba low-income households that	
5		are renters, at 100 and 125 percent	
6		of LICO	8016
7	174	Dr. Carter to indicate if there is	
8		information to estimate the number of	
9		low-income seniors living in homes that	
10		they own	8017
11	175	Dr. Carter to inquire of Social Assistance	
12		and, if possible, obtain a breakdown of	
13		the number and percentage of persons for	
14		whom Social Assistance directly pays their	
15		utility bills as opposed to those to whom	
16		it provides a contribution in their	
17		monthly budget	8027
18	176	Dr. Carter to provide additional details	
19		in terms of his understanding of the	
20		reconciliation policy over and above	
21		what's set out in Exhibit A	8031
22			
23			
24			
25			

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

2

3 THE CHAIRPERSON: Okay. Good morning,  
4 everyone. I think we're all aware of our schedule for  
5 today, at least how we begin. Mr. Peters, are you aware  
6 of any other matter that we should deal with before we  
7 turn it over to Mr. Williams and Mr. Carter?

8 MR. BOB PETERS: No, sir, I'm not aware  
9 of any other matters that have arisen. Today we have set  
10 aside the time to hear from CAC/MSOS's witnesses, Mis --  
11 witness, Mr. Carter. He will be led in his direct  
12 evidence by Mr. Williams, following which he will be  
13 cross-examined by the parties.

14 At the end of Mr. Carter's evidence it's  
15 expected there will be some time available for Manitoba  
16 Hydro to begin its re-examination/rebuttal, and I'll  
17 hopefully have more on that later as the day unfolds, but  
18 that will be the -- the plan for today.

19 THE CHAIRPERSON: Thank you, Mr. Peters.  
20 Mr. Singh, would you mind swearing in Mr. Carter?

21

22 CAC/MSOS PANEL 2:

23 THOMAS CARTER, Sworn

24

25 THE CHAIRPERSON: Before we move into

1 this, the Board is well aware of Mr. Carter. He has been  
2 qualified before in a different hearing. I'm wondering  
3 whether the parties wish Mr. Williams to go through his  
4 CV. I know we're going to -- you want him to state what  
5 he wants to be qualified for.

6 MR. WILLIAM GANGE: Mr. Chair, on behalf  
7 of RCM/TREE, we are not going to object to Professor  
8 Carter's ability to testify in this hearing.

9 THE CHAIRPERSON: Ms. Boyd...?

10 MS. MARLA BOYD: No, as long as we  
11 understand what the qualifications are, I don't  
12 anticipate we'll have any objection.

13 THE CHAIRPERSON: Yes, I should have done  
14 that first.

15 Mr. Williams...?

16 MR. BYRON WILLIAMS: And I'll get to that  
17 in -- in just one (1) moment, sir. And I can also  
18 indicate I've had some conversations with My Friend, Mr.  
19 Hacault, on behalf of MIPUG, and there were a couple of  
20 questions his client wished to put to Mr. -- excuse me,  
21 to Professor Carter. I felt that I could in --  
22 incorporate them into my direct evidence of -- of Mr. --  
23 my direct-examination of Mr. -- Professor Carter.

24 So my understanding is that Mr. Hacault  
25 will -- will be working on other matters today. And, Mr.

1 Chairman, and good morning Mr. Chairman and Mr. Vice-  
2 Chair. And I certainly want to introduce Mr. --  
3 Professor Carter to you. And we have a really notable  
4 occasion here besides his presence, Ms. DeSorcy wants it  
5 noted on the record that she was actually here before the  
6 start of the hearing as opposed to her usual entry time  
7 at 10:00, given the late hours that she works in the  
8 evening.

9           Mr. Chairman, there are three (3) very  
10 small exhibits that we wanted to put on the record. And  
11 I -- I -- based on conversations with counsel, I don't  
12 anticipate any objections. And, Mr. Singh, I think you  
13 can -- you can distribute them, or perhaps you have. One  
14 (1) is a very brief update to Mr. Carter -- Professor  
15 Carter's evidence in terms of two (2) important  
16 indicators of the -- the status in terms of low income  
17 persons and that's titled -- it's a one (1) pager titled  
18 "Professor Carter Evidence Updates."

19           And we would suggest that be marked at  
20 CAC/MSOS Exhibit 32.

21  
22 --- EXHIBIT NO. CAC/MSOS-32:           Dr. Carter's evidence  
23   updates  
24

25           MR. BYRON WILLIAMS:       The second one is a



1 -- is -- there's been a lot of discussion this hearing in  
2 terms of what is the policy of income assistance in terms  
3 of -- in terms of utility bills. And certainly Professor  
4 Carter through his own examinations will be able to speak  
5 to this, but what we have attached, it's not part of the  
6 regulation, it's actually an excerpt from the policy  
7 manual.

8                   So I felt that it was better to come in  
9 via -- via affidavit than via -- than simply just placing  
10 it on the record. And -- so Exhibit 33 of CAC/MSOS we  
11 would suggest would be the affidavit of Catherine Mary  
12 Wirt in which she sets -- sets out her position and  
13 attaches an excerpt from the Department of Employment and  
14 Income Assistance Policy Manual.

15

16 --- EXHIBIT NO. CAC/MSOS-33:           Affidavit of Catherine  
17   Mary Wirt

18

19                   MR. ROBERT MAYER:   Mr. Williams, it would  
20 have been nice if that regulation would have been  
21 readable. The copy I have starts off with what appears  
22 to be a blank and goes on:

23                                        "Of the regulation provides..."

24                                        And it's barely readable. I don't know if  
25 I have the only bad copy.

1 MR. BYRON WILLIAMS: Mr. Vice-Chair, I  
2 thank you for bringing that to my attention. The -- it's  
3 -- it -- the -- I will endeavour to get you, and I think  
4 others, a better copy. What it -- it would say is:

5 "Schedule 3A to Regulation 404/88."

6 That's what I expect it would say.

7 MR. ROBERT MAYER: There's -- there's not  
8 enough room on that blank --

9 MR. BYRON WILLIAMS: Well --

10 MR. ROBERT MAYER: -- to put all that in.

11 MR. BYRON WILLIAMS: -- that -- that's  
12 the reference from the regulation, sir, that -- that it  
13 refers to. And I stand appropriately chastized. Also,  
14 Mr. Chairman, I perhaps deserve even more for this, is I  
15 had neglected to put Mr. Car -- Professor Carter's CV on  
16 the record.

17 So I would suggest that be marked as  
18 CAC/MSOS Exhibit number 34.

19

20 --- EXHIBIT NO. CAC/MSOS-34: Dr. Carter's CV

21

22 THE CHAIRPERSON: Very good.

23 MR. BYRON WILLIAMS: And to the -- the  
24 Chairperson and the Vice-Chair, we do seek to qualify  
25 Professor Carter as an expert in social program analysis,

1 development evaluation and delivery, with a particular  
2 focus on poverty alleviation and integrated approaches to  
3 poverty alleviation.

4 And we await the direction of the Board.

5 THE CHAIRPERSON: Ms. Boyd...?

6 MS. MARLA BOYD: We have no objection.

7 THE CHAIRPERSON: And, Mr. Gange, you  
8 remain as you were?

9 MR. WILLIAM GANGE: (NO AUDIBLE RESPONSE).

10

11 RULING (QUAL):

12 THE CHAIRPERSON: Okay, Mr. Williams.  
13 Welcome, Professor Carter.

14 MR. BYRON WILLIAMS: And I note that it  
15 looks like the Vice-Chair has received a slightly  
16 improved copy for which I thank Mr. Singh.

17 MR. ROBERT MAYER: Which says, in the  
18 blank, "Schedule A, Section 3."

19 MR. BYRON WILLIAMS: And the -- if you're  
20 looking for the reference, sir, it's Regulation 404/88  
21 which I've had occasion to memorize in my years of  
22 practice.

23

24 EXAMINATION-IN-CHIEF BY MR. BYRON WILLIAMS:

25 MR. BYRON WILLIAMS: Professor Carter,

1 you are responsible -- and page -- you are responsible  
2 for the -- the preparation of CAC/MSOS Exhibit number 7  
3 which is your paper dated December 2010, "Energy Programs  
4 and Poverty Alleviation: A Discussion Paper."

5 Is that correct, sir?

6 DR. THOMAS CARTER: That's correct.

7 MR. BYRON WILLIAMS: And, Professor  
8 Carter, you also prepared, in the course of this hearing,  
9 information responses to the PUB/CAC/MSOS-25 through 27,  
10 as well as to Manitoba Hydro/CAC/MSOS (Carter) 1 through  
11 8, and to RCM/TREE/CAC/MSOS (Carter) 1-1 to 1-39.

12 Is that correct, sir?

13 DR. THOMAS CARTER: That's correct.

14 MR. BYRON WILLIAMS: So they were  
15 prepared under your direction and control, sir?

16 DR. THOMAS CARTER: They were.

17 MR. BYRON WILLIAMS: And to the best of  
18 your knowledge are there any material errors in those  
19 materials, sir?

20 DR. THOMAS CARTER: Not to the best of my  
21 knowledge, no.

22 MR. BYRON WILLIAMS: Professor Carter,  
23 recognizing that you've been qualified already, but I  
24 would ask you to the extent that it may assist the Board  
25 in understanding the perspective you bring to your

1 evidence, briefly over -- briefly discuss your education  
2 and work experience as it may influence your analytic  
3 approach to this process.

4 DR. THOMAS CARTER: Okay. Let me start  
5 first with my educational background. I have an  
6 Undergraduate degree from the University of Manitoba, a  
7 Masters from the University of Saskatchewan, and a PhD  
8 from the University of Alberta. All three (3) of those  
9 degrees specialized in human and urban geography and in  
10 with -- within that specialization the focus was housing,  
11 urban and regional planning, and social policy. So my  
12 educational background dealt a great deal with  
13 marginalized groups in society and policies and programs  
14 to serve those particular groups.

15 Just to bring in some of my work  
16 experience, going back to my work with the National  
17 Capital Development Commission in Canberra, Australia I  
18 worked there as a housing and urban planner and most of  
19 my work focussed on housing. And the housing in  
20 particular -- all aspects of housing, but with a  
21 particular focus on housing for low-income people.

22 But my work in Canberra also broadened to  
23 neighbourhood planning. And within the context of  
24 neighbourhood planning a lot of my responsibilities  
25 focussed on the services required for low-income families

1 and individuals.

2 I continued similar work with the  
3 Saskatchewan Housing Corporation during the period '74 to  
4 '85. I was first there as a senior policy analyst, and  
5 then as Executive Director of Research and Policy  
6 Development. And there my work focussed on all aspects  
7 of housing, everything from market assessments, housing  
8 needs assessment, program design, program evaluation. I  
9 was even in charge, at times, of delivering housing  
10 programs. And of course, being a provincial housing  
11 agency the focus was very much on housing for low and  
12 moderate-income people.

13 Also with the Housing Corporation I was  
14 quite involved in neighbourhood improvement programs,  
15 both the design, delivery, and evaluation. And neighbour  
16 improvement, of course, focussed on the -- the areas of  
17 the -- of cities in Saskatchewan that were home to many  
18 of the marginalized groups in society. Upon my move to  
19 Winnipeg in 1985, I worked with the Institute of Urban  
20 Studies and the Geography Department.

21 And, again, I continued my work in housing  
22 but it broadened more into work on inner city decline and  
23 revitalization, but also to work with immigrants and,  
24 particularly, refugees, many of them, of course, in -- in  
25 poverty. And --

1 MR. BYRON WILLIAMS: Professor Carter --

2 DR. THOMAS CARTER: Yeah.

3 MR. BYRON WILLIAMS: -- I'm just going to  
4 stop you there and give a fabulous, if I can  
5 editorialize, list of reports that you've produced in  
6 this area. There's just one (1) that I'd -- I'd like you  
7 to briefly bring to the Board's attention, and that is  
8 the report you prepared for Manitoba Family Services and  
9 Housing called "Housing for -- for Manitobans, A Ten (10)  
10 Year Strategy."

11 DR. THOMAS CARTER: That's right. We  
12 were asked to -- or I was asked to do this report. I  
13 guess it was in 2008. It was completed in 2009. It was  
14 a complete review of housing policies and programs in the  
15 province of Manitoba. And the report was designed to  
16 provide direction, I guess, to Manitoba Housing and the  
17 Manitoba Government on how to reduce housing  
18 affordability problems and poverty problems in the  
19 province. So there was a very, shall we say, strong  
20 connection between housing and poverty alleviation in  
21 this particular report.

22 MR. BYRON WILLIAMS: Now, Mr. Chair --

23 MR. ROBERT MAYER: Mi -- Mr. Williams,  
24 before -- I don't really want to -- want to interrupt the  
25 professor's evidence, but I'm now in possession of two

1 (2) exhibits, both allegedly signed on the 6th by  
2 Catherine Wirt, one (1) of which has five (5) paragraphs  
3 and one (1) of which has four (4) paragraphs.

4 MR. BYRON WILLIAMS: Well, yeah, Mr.  
5 Chairman, if that is the case -- or Mr. Vice-Chair, the -  
6 - what I would suggest you -- you do is -- and we might  
7 ask Mr. Singh's assistance. The one (1) that was  
8 provided to you today and marked as an exhibit is the  
9 proper one that should be before you.

10 And without meaning to add details, we had  
11 shared this, the -- the first -- the -- the longer  
12 affidavit with other counsel. And there was some  
13 concerns that it wasn't -- that particular additional  
14 exhibit was not put in its proper context, being Exhibit  
15 B, so we removed that from the affidavit.

16 And I -- what I'm assuming has happened is  
17 Mr. Singh, in his efforts to give you a cleaner copy of  
18 Attachment A, which I neglected to do and for which I  
19 apologize, may have inadvertently put the -- the first  
20 affidavit, which is -- what never presented officially to  
21 you before you.

22 So if I could ar -- advise you that the --  
23 the document that has two (2) exhibits, 'A' and 'B',  
24 should -- should not be before you, and I apologize for  
25 any -- any confusion, sir.



1 MR. ROBERT MAYER: I should, therefore,  
2 ignore Exhibit B?

3 MR. BYRON WILLIAMS: That would be my  
4 advice, sir.

5 THE CHAIRPERSON: However, I do find  
6 Exhibit B interesting. I'll have to get counsel's advice  
7 later.

8 MR. BYRON WILLIAMS: Oh, sorry. And, Mr.  
9 Chairman, I -- I want to assure counsel that that was not  
10 my intention. I think we had a -- and so, Mr. Chairman,  
11 I would -- I would suggest you seek counsel's advice.  
12 And, for the moment, I would suggest you remove it from --  
13 -- from your memory to the ex -- the extent you -- you  
14 can.

15 THE CHAIRPERSON: You're going to need a  
16 very specialized surgeon for that, Mr. Williams.

17 MS. MARLA BOYD: I'm going to attempt to  
18 be that surgeon for just a moment. I promise it won't  
19 hurt. My concern with that affidavit, which I raised  
20 with Mr. Williams when he shared it among counsel and  
21 which I understood would not be forming part of this  
22 record, was that the information provided is not subject  
23 to cross-examination and the context in which those  
24 payments are made, the circumstances of the individual  
25 are not before the Board.

1                   It is difficult to tell whether that's a  
2 person who is paying -- living in subsidized housing,  
3 whether there are other components of their electricity  
4 bill that would be included in their rent. There's --  
5 there's a number of items there that are uncertain.

6                   And rather than go through the process of  
7 bringing someone in and cross-examining them, we -- we  
8 raised that concern, and Mr. Williams thought it  
9 preferable to remove it from the record.

10                   MR. BYRON WILLIAMS:   And I should note,  
11 Mr. Chairman, that My Friend, Ms. Boyd was not the only  
12 person who had questions about that document. So, again,  
13 the -- to the extent that Professor Carter may be able to  
14 assist you with some of the -- some additional  
15 information, based on his inquiries. And I certainly  
16 apologize for the confusion.

17                   MR. BOB PETERS:   And, Mr. Vice-Chair --

18                   THE CHAIRPERSON:   Well, things -- things  
19 do happen.

20                   MR. BOB PETERS:   Mr. Chairman, I should -  
21 - I should fall on my sword here because when the Vice-  
22 Chair was having difficulty, I -- I was flipping through  
23 some papers and I -- I found a better copy of it, and I  
24 was -- to my knowledge, I wasn't included in the  
25 discussion amongst counsel relative to the affidavit and

1 -- and I was unaware that there was an understanding. So  
2 it -- it wasn't Mr. Singh, it was Mr. Peters who found  
3 the copy.

4 MR. BYRON WILLIAMS: And I do --

5 THE CHAIRPERSON: Well, I think we've  
6 covered it sufficiently, Mr. Williams.

7 MR. BYRON WILLIAMS: Yeah. I'm going to  
8 ask the question again of -- and -- and, Mr. Chairman and  
9 Mr. Vice-Chair, just -- just so you know, there's no  
10 PowerPoint presentation today, and because there's such a  
11 -- a wide range of material, both in Professor Carter's  
12 evidence and interrogatories, we're not going to be  
13 pulling you through the evidence. It's going to be a  
14 more traditional direct exami -- examination, so we won't  
15 be providing you with many references to the -- to the  
16 evidence. From time to time we will, and certainly I  
17 have those available, if needed.

18 MR. ROBERT MAYER: That's a hint for us  
19 to take notes, right?

20 MR. BYRON WILLIAMS: There -- there's  
21 also transcripts, but there's no PowerPoint, sir.

22

23 CONTINUED BY MR. BYRON WILLIAMS:

24 MR. BYRON WILLIAMS: Professor Carter --

25 DR. THOMAS CARTER: Can -- can I --

1 MR. BYRON WILLIAMS: Yes. Go ahead.

2 DR. THOMAS CARTER: Maybe I can just sum  
3 up here by saying that I -- I think the -- the work that  
4 I've been doing over the last four (4) decades has had a  
5 very strong relationship with marginalized groups in  
6 society. It's incorporated a great deal of research and  
7 social policy development and programs for poverty  
8 alleviation for these particular groups, and I'll just  
9 leave it at that.

10 MR. BYRON WILLIAMS: Yes. And, Professor  
11 Carter, I apologize for cutting you off.

12 DR. THOMAS CARTER: That's fine.

13 MR. BYRON WILLIAMS: Just -- Professor  
14 Carter, I wonder if you can outline your understanding of  
15 your assigned task in terms of developing this evidence,  
16 sir?

17 DR. THOMAS CARTER: Okay. Well, I was  
18 asked to do an independent study which would focus on the  
19 -- you know, highlighting the people who are in poverty,  
20 the sectors of society that are in poverty, and also the  
21 characteristics of those particular groups in poverty.

22 In addition to that, I was asked to look  
23 at mechanisms to alleviate energy poverty, and I did that  
24 on a fairly broad basis. I looked at the -- the various  
25 policy and program approaches, and I also looked at the

1 advantages and disadvantages of those particular  
2 approaches when it comes to alleviating poverty.

3 I looked at information in Canada, the  
4 United States, Australia, New Zealand and the -- the  
5 United Kingdom, and I was really asked to consider the  
6 strengths and weaknesses of these various initiatives to  
7 alleviate energy poverty within the context of broader  
8 social policies and programs to alleviate poverty. In  
9 other words, there was a comparison here between  
10 approaches in the energy sector and broader policy  
11 approaches to poverty alleviation.

12 I was not asked, I might add, to perform  
13 specific program evaluation of Manitoba Hydro or to do a  
14 -- an assessment of Professor Colton's evidence which had  
15 been filed in these proceedings.

16 MR. BYRON WILLIAMS: Professor Carter,  
17 were you asked to examine the business case for the  
18 introduction of programming aimed at energy poverty from  
19 a utility or Manitoba Hydro perspective?

20 DR. THOMAS CARTER: No, I was not.

21 MR. BYRON WILLIAMS: Thank you. I wonder  
22 if you can outline the approach you took in developing  
23 your -- your thoughts and your -- your report prior to  
24 the filing of your written evidence.

25 DR. THOMAS CARTER: The approach that I

1 took is as follows. First of all, I undertook a fairly  
2 comprehensive literature review, particularly in those  
3 countries that I mentioned, but it was not an exhaustive  
4 review, and we can come back to that later. But the  
5 review was on the characteristics of poverty, poverty  
6 trends, and also on the ener -- poverty -- or energy  
7 alleviation poverty strategies. But I'll have to also  
8 add that I -- I drew on my years of experience in program  
9 design, program evaluation, program delivery, and  
10 development of social policy for marginalized groups in  
11 society.

12 MR. BYRON WILLIAMS: That's before the  
13 filing of your report.

14 DR. THOMAS CARTER: M-hm.

15 MR. BYRON WILLIAMS: I wonder if you  
16 could outline any steps you took subsequent to the filing  
17 of your writ -- written report and the Manitoba Hydro  
18 rebuttal evidence. Not specifically at your report, but  
19 the overall Manitoba Hydro rebuttal evidence.

20 DR. THOMAS CARTER: Yeah. One (1) of the  
21 things I did do, I became aware of issues related to the  
22 interaction of, I guess, income assistance and the  
23 utility bills and how those utility bills were handled  
24 for people on Social Assistance.

25 So I did follow up with a number of people

1 on how that situation was handled and how that situation  
2 compared to the working poor. I conducted a number of  
3 key informant interviews with people in Social Services,  
4 people in housing, and people in other positions that --  
5 where they deal regularly with people in poverty, just to  
6 get a -- a sense of how they saw that situation  
7 unfolding.

8                   The other thing that I did do was that I  
9 attended a -- a workshop where the discussion focussed on  
10 poverty and energy subsidies. And that workshop was  
11 hosted by the -- the Public Interest Law Centre and the  
12 Consumer Association of Canada, the -- the Manitoba  
13 chapter.

14                   This workshop was an effort to begin an  
15 discussion of low-income affordability and energy poverty  
16 within the broader context of the situation of the poor  
17 and the broader policy framework of poverty alleviation  
18 programs, okay.

19                   The people at the workshop, they weren't  
20 asked to confirm what they thought was right or what they  
21 thought was wrong, but there was a lot of good questions  
22 came up at that workshop that really helped, I guess, me  
23 gain a better understanding of the issue. You know, we  
24 talked about, is energy poverty real, what are some of  
25 the impacts of energy poverty, what are the best ways to

1 address energy poverty, and how does energy poverty  
2 programs fit within the broader context of social policy.  
3 And I think there was some good representation at that  
4 workshop.

5                   We had people from charitable  
6 organizations, we had people representing Aboriginal  
7 groups in the city, we had people who were, should we  
8 say, advocacy for poverty groups, members of anti-poverty  
9 organizations. I -- I found that that particular  
10 workshop helped me put things in a -- a better  
11 perspective.

12                   MR. BYRON WILLIAMS: Okay. Sir, in terms  
13 of those who participated in the workshop, just one (1)  
14 small point, would it be fair to say that they were  
15 assured of confidentiality and that we would not  
16 attribute any specific thought or position to any  
17 particular party?

18                   DR. THOMAS CARTER: That was very clearly  
19 stated upfront in the workshop, yes.

20                   MR. BYRON WILLIAMS: Professor Carter, I  
21 wonder if you can start us up with a -- a basic and quick  
22 discussion around the definition of poverty?

23                   DR. THOMAS CARTER: Okay. Two (2) basic  
24 definitions. Poverty can be defined in absolute terms  
25 and when we say absolute terms it's comparing your income



1 to a particular threshold that people feel is  
2 identifiable as a line that identifies low-income or  
3 people in poverty. In other words, if you're earning  
4 seventy-five hundred (7,500) and the threshold is  
5 eighteen thousand (18,000) then you're a long way below  
6 the poverty line, so that's an absolute definition.

7 But there's also a -- a relative  
8 definition, which is, I guess, one (1) that is harder to  
9 really get at, but that's where you take a family and you  
10 compare them to other people in their community and you  
11 really look at the resources that they have available,  
12 that they command, and you look at their standard of  
13 living relative to other people.

14 I might add that in nearly all cases in  
15 the work that I did I dealt with the absolute approach,  
16 and I used extensively, of course, in the report the  
17 Statistic Canada -- Statistics Canada Low-Income Cutoffs,  
18 or LICO as it's considered, so that forms the basis of a  
19 lot of my analysis.

20 MR. BYRON WILLIAMS: For the court  
21 reporter, LICO, is L-I-C-O.

22 DR. THOMAS CARTER: Sorry.

23 MR. BYRON WILLIAMS: You're forgiven,  
24 Professor Carter. I wonder if you could comment and  
25 provide your views on the measurement of energy poverty,

1 sir.

2 DR. THOMAS CARTER: The measurement of  
3 energy poverty at this particular point in time doesn't  
4 seem to be a very exact science, and there doesn't seem  
5 to be a whole lot of consensus, I guess, on what  
6 constitutes energy poverty.

7 A lot of the studies that I reviewed used  
8 the 10 percent. It was considered that if people were  
9 spending more than 10 percent of their after tax income  
10 on energy, then they were experiencing energy poverty.  
11 Other studies use 6 percent of after tax income.

12 Quite frankly, my own preference would be  
13 to use the 6 percent simply because of the cost of other  
14 services to the poor. If you look at how much the poor  
15 have to pay in housing, particularly in many of our major  
16 cities, including Winnipeg, some of them are paying well  
17 in excess of 30 percent of the gross household income on  
18 housing. A certain percentage of them are paying 50  
19 percent or more. So I would prefer to see the 6 percent  
20 definition of energy poverty used.

21 MR. BYRON WILLIAMS: Now -- now,  
22 Professor Carter, there's a very extensive discussion in  
23 your evidence, pages 9 to 26, in terms of the groups in  
24 our society who tend to dis -- dispropash --  
25 disproportionately face the impact of poverty.

1 I wonder if you can identify some of those  
2 groups, sir?

3 DR. THOMAS CARTER: Okay. Well, I think  
4 this is pretty much a matter of record and people are  
5 aware of this, but very quickly, the groups that are most  
6 likely to be disport -- disproportionately part of the  
7 poverty group are certainly children. There's -- there's  
8 lone parent, particularly female lone-parent families.  
9 There's aboriginals. There's people with disabilities.  
10 There's recent immigrants, and, particularly, refugees.  
11 Some members of certain visible minorities are  
12 disproportionately in poverty, seniors, low-wage workers,  
13 or the working poor as they're referred to, and  
14 particularly renters in the Canadian context.

15 But let me hasten to add here that these  
16 groups are not mutually exclusive, okay. We have lone-  
17 parent families with children. Many of them are  
18 Aboriginal and nearly all of them are renters, so there's  
19 -- these groups are not mutually exclusive.

20 THE CHAIRPERSON: Professor Carter --

21 DR. THOMAS CARTER: Yeah.

22 THE CHAIRPERSON: -- just a simple  
23 question. When you're talking about Aboriginal people  
24 are you talking -- are you including those living on  
25 reserves?

1 DR. THOMAS CARTER: I would, yes.

2

3 CONTINUED BY MR. BYRON WILLIAMS:

4 MR. BYRON WILLIAMS: Professor Carter,  
5 what can you tell us from your review of the social  
6 science evidence in terms of the working poor? And this  
7 is at pages 18 to 19 of Professor Carter's report.

8 DR. THOMAS CARTER: Interesting situation  
9 because the working poor are a particularly difficult  
10 group to define and identify and really cause a great  
11 deal of difficulty when trying to design programs.

12 But one (1) of the things I would like to  
13 point out is that most of the working poor have a pretty,  
14 shall we say, strong attachment to the labour force.  
15 About three quarters (3/4) of the working poor, according  
16 to the stistic -- statistics, are full-time, full-year  
17 workers, so it's not as though they're all unemployed.

18 In many cases, they work for salaries that  
19 might be up to 50 percent higher than the minimum wage.  
20 For example, if the minimum wage is ten dollars (\$10) in  
21 Manitoba, the working poor, a lot of them, might we  
22 working for about fifteen dollars (\$15) an hour.

23 They're more likely to be young. They're  
24 more likely to be single, separated or divorced or  
25 widowed. Many of them are likely to have work-limiting

1 disabilities. And, quite often, many of them have less  
2 than a high school diploma.

3           There was a Statistics Canada study done  
4 in 2004, and this is a national study not a Manitoba  
5 study, although there were Manitoba figures in there, but  
6 35 percent of the working poor were single individuals in  
7 that study, 15 percent were married with no children, 19  
8 percent were married with children, and one-third (1/3)  
9 of them were lone-parent families.

10           So, you know, their -- they tend to be  
11 young, they tend to be lone parents, they tend to be  
12 poorly educated, they have work-limiting disabilities,  
13 but they're darn hard to identify and find in the  
14 records.

15           MR. BYRON WILLIAMS: Professor Carter,  
16 could you comment in terms of the working poor on two (2)  
17 additional matters: their tendency whether or not to be  
18 renters and also their likelihood to escape poverty as  
19 compared to, for example, persons on income assistance.

20           DR. THOMAS CARTER: First of all the --  
21 the majority of them -- I can't necessarily give you a  
22 specific figure, but the majority of them are likely to  
23 be renters because they do not have incomes that would  
24 qualify them for a mortgage to -- to buy a home.

25           Sorry, what was your second point to that?

1 MR. BYRON WILLIAMS: In terms of the  
2 working poor and as compared to persons on Social  
3 Assistance, in terms of the likelihood of --

4 DR. THOMAS CARTER: Oh, okay.

5 MR. BYRON WILLIAMS: -- exiting poverty.

6 DR. THOMAS CARTER: Yeah. It's quite  
7 likely, and I mean there's studies to bear this out, that  
8 the working poor are more likely to exit poverty, they're  
9 quite often in and out of poverty and it's quite often  
10 that they do not spend a long period of time in poverty.

11 There's some -- some interesting  
12 statistics. Do you want me to jump forward to those  
13 statistics or do you want to come back to that later?

14 MR. BYRON WILLIAMS: It -- it's up to  
15 you, Professor Carter.

16 DR. THOMAS CARTER: Okay.

17 MR. BYRON WILLIAMS: Either is fine.

18 DR. THOMAS CARTER: Well, just to -- to  
19 make the point, is that people in Canada and in Manitoba  
20 do move in and out of poverty. There was a study that  
21 looked at the period 2002 to 2007, this was on a national  
22 basis. But it found that during that six (6) year  
23 period, for the one (1) out of every five (5) Canadians  
24 that experienced poverty during that time period, most of  
25 those lived in that situation only for one (1) to two (2)

1 years: 40 percent for one (1) year, 20 percent for two  
2 (2) years. Only 11 percent lived in low-income that  
3 entire six (6) year period.

4 So, you know, I think it's important to  
5 understand there's mobility within the poverty sector.  
6 And a lot of that mobility, of course, is within the --  
7 the working poor group. But there is the hardcore group  
8 that's in long-term poverty, it may in fact be  
9 intergenerational poverty. And most likely it's low-  
10 income, female, single-parent families. Many of them  
11 probably would be Aboriginals, okay.

12 MR. BYRON WILLIAMS: Professor Carter --

13 DR. THOMAS CARTER: Did you want me to go  
14 back to renters?

15 MR. BYRON WILLIAMS: No, I think you did  
16 renters.

17 DR. THOMAS CARTER: Okay.

18 MR. BYRON WILLIAMS: Well, in a second,  
19 yes.

20 DR. THOMAS CARTER: Okay.

21 MR. BYRON WILLIAMS: But -- and you're  
22 certainly not meaning to diminish the impact of -- of the  
23 time -- the time -- you know, whether it's one (1) year,  
24 one (1) month, or --

25 DR. THOMAS CARTER: No.

1 MR. BYRON WILLIAMS: -- six (6) years?

2 DR. THOMAS CARTER: Certainly not. I  
3 mean, that's not the -- the issue here. I mean, if  
4 you're in poverty for a year it's a big problem, if  
5 you're in poverty for two (2) years it's an even bigger  
6 problem. And if you're in long-term poverty then you  
7 really have some significant issues to deal with.

8 MR. BYRON WILLIAMS: Professor Carter, if  
9 you could go back to -- and perhaps we could discuss the  
10 relationship, if any, between renters in poverty --

11 DR. THOMAS CARTER: Yeah. When you look  
12 at the statistics in the Province of Manitoba and in  
13 Winnipeg, what you find is that a very high proportion of  
14 renters are in poverty.

15 Just to summarize here. Over half, about  
16 55 percent of renters in the 2006 census were earning  
17 under thirty thousand dollars (\$30,000), many of those  
18 were earning less than twenty thousand dollars (\$20,000).  
19 And if you look at -- if you compare that to owners, bear  
20 in mind 50 -- 55 percent are earning thirty thousand  
21 (30,000) or less if you're a renter, only 17 percent of  
22 owners fall in that particular category.

23 And what you also find is that when it  
24 comes to housing costs 35 percent of renters have housing  
25 affordability problems, they pay in excess of 30 percent



1 of gross household income for shelter. In fact, 15  
2 percent of them pay in excess of 50 percent of their  
3 gross household income for shelter. So poverty is -- is  
4 very much concentrated in the rental sector. And of  
5 course this has implications for program development as  
6 we'll mention later on.

7 MR. BYRON WILLIAMS: And just for the  
8 Board, that's captured in pages 20 to 25 of Professor  
9 Carter's evidence. And many of those statistics were on  
10 pa -- that he cited just now were on pages 23 and 24, at  
11 least in my version.

12 Professor Carter, and for the Board, the -  
13 - the -- the handout that -- that we provided this  
14 morning, Exhibit 32, the updates may be relevant for --

15 THE CHAIRPERSON: Mr. -- Mr. Williams, if  
16 you don't mind, just one (1) background piece, at least  
17 for the transcript, when you're dividing people between  
18 rentals and those that own their homes, how -- how do you  
19 deal with the First Nation's People with common property?

20 DR. THOMAS CARTER: You can deal with  
21 First Nations People off reserve in the same way you can  
22 deal with any other person in society that's not living  
23 on a reserve. But, however, when you get on reserve it's  
24 a very different situation and we do not have good  
25 statistics for that in terms of tenure, because it's Band

1 housing.

2                   Is it owned, is it rented? It's Band  
3 housing. And the Statistics Canada usually re -- have a  
4 separate category that is considered Band housing. It's  
5 not designated as ownership or rental. It's desi --  
6 designated as Band. And that's -- that's an issue  
7 because it's not a tenure situation, it's owned by the  
8 Band.

9                   THE CHAIRPERSON: Do you believe it  
10 distorts any of your numbers and percentages?

11                  DR. THOMAS CARTER: No, it doesn't  
12 distort any of the numbers that I've just gave you  
13 because they were off-reserve numbers, yeah.

14                  THE CHAIRPERSON: Thank you.

15

16 CONTINUED BY MR. BYRON WILLIAMS:

17                  MR. BYRON WILLIAMS: Perhaps if I could  
18 follow up on the Chair -- perhaps if I could follow up on  
19 the Chairperson's question though. Professor Carter, as  
20 I understand it you indicated that Statistics Canada does  
21 attempt to track on-reserve housing separately.

22                   Is that fair, sir?

23                  DR. THOMAS CARTER: Yes, I guess that  
24 would be fair enough because the reporting is on reserve,  
25 so yeah.

1                   MR. BYRON WILLIAMS:   And let me just on  
2 this point, if -- if the Board, for example, wanted  
3 additional information on -- my apologies to the court  
4 reporter. If the Board, for example, wanted to garner  
5 additional information in terms of on-reserve housing  
6 issues and the characteristics associated with that, are  
7 you aware of any reliable data sources which might assist  
8 the Board?

9                   DR. THOMAS CARTER:   There would be two  
10 (2) sources. First of all there would be the Statistics  
11 Canada data itself because a census is conducted on  
12 reserves, although there were some reserves that did opt  
13 out in the 2006 census as I understand.

14                   But there's also the survey of Aboriginal  
15 people. And I -- I -- I can't remember the specific date  
16 when that was done, but that would also provide some  
17 information on the housing situation on reserves. I  
18 mean, both those surveys, I mean, the agencies involved  
19 would probably tell you that the reliability is probably  
20 not as good as it is for the particular Statistics Canada  
21 approach off reserve, but there is information there.

22                   MR. BYRON WILLIAMS:   And certainly if the  
23 Board had further inquiries in that area, Professor  
24 Carter, you'd be prepared to assist them if those  
25 requests were made?

1 DR. THOMAS CARTER: I would, yes.

2 MR. BYRON WILLIAMS: Professor Carter,  
3 and -- and sorry, just before the Chairman raised his  
4 questions, I was referring the Board to Professor  
5 Carter's Evidence Updates number 32, CAC/MSOS Exhibit 32.  
6 Professor Carter, I'm going to ask you a compound  
7 question here, one (1) of many.

8 I wonder if you could comment about the  
9 directional trends in terms of poverty in Manitoba and --  
10 as well as the -- as -- provide some insight, if it's  
11 available, in terms of the depth of poverty in Manitoba.

12 DR. THOMAS CARTER: Okay. First of all,  
13 poverty in Manitoba, the -- the most recent figures we  
14 have are 2008. 2009 figures will be out this month, but  
15 what the -- the trends suggest, I've looked at the data  
16 from 1998 to 2008, and the number of people in poverty  
17 has fallen considerably. If you lose -- if you use LICO  
18 -- I can use that term, LICO? Okay.

19 And you look at before-tax and after-tax  
20 poverty rates, before tax, the number of people in  
21 poverty in Manitoba fell from two hundred and fourteen  
22 thousand (214,000) to a hundred and forty-nine thousand  
23 (149,000) over 1998 to 2008. The after-tax figures  
24 dropped from one forty nine (149) to ninety-six thousand  
25 (96,000), so you know, a considerable drop in the number

1 of people in poverty over that time frame.

2 THE CHAIRPERSON: By the way, this  
3 includes children --

4 DR. THOMAS CARTER: Yes.

5 THE CHAIRPERSON: -- and the elderly, the  
6 whole population?

7 DR. THOMAS CARTER: It's the whole  
8 population, yeah.

9

10 CONTINUED BY MR. BYRON WILLIAMS:

11 MR. BYRON WILLIAMS: And, Professor  
12 Carter, you may -- will -- you may have some additional  
13 comments in terms of what may have taken place over the  
14 last two (2) years when we get to welfare statistics.

15 DR. THOMAS CARTER: Yes, I will, yeah.

16 MR. BYRON WILLIAMS: So -- so we'll keep  
17 that in mind.

18 DR. THOMAS CARTER: M-hm.

19 THE CHAIRPERSON: I'm sorry, Mr.  
20 Williams, but I'm just trying to get this right down. So  
21 this directional trend in the numbers you give, does it  
22 include people living on reserves?

23 DR. THOMAS CARTER: It does not include  
24 people living on reserves, not to my understanding, no.

25

1 CONTINUED BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: And, Professor  
3 Carter, in terms of -- I wonder if you can just continue  
4 with your discussion in terms of the depth of poverty.

5 DR. THOMAS CARTER: Well, the depth of  
6 poverty, there really hasn't been a whole lot of  
7 improvement in the depth of poverty. What -- some of the  
8 things that you can look at is, of course, the -- the  
9 average income of a low-income family. In 2007, they  
10 were seventy-two hundred dollars (\$7,200) below LICO,  
11 okay? If you look at individuals, the average income of  
12 individuals in poverty, they were sixty-five hundred  
13 dollars (\$6,500) below LICO, and those figures have not  
14 really been improving.

15 And if you move to -- if I can move to the  
16 welfare incomes, I think it's even more significant and  
17 illustrates how far people on welfare are before the --  
18 the poverty lines. For example, single employables, they  
19 were twenty (20) -- they were -- their incomes were about  
20 28 percent of the poverty line. It was 53 percent for a  
21 couple with two (2) children, and for disabled and  
22 single-income families, you know, the gap was very  
23 significant. And we're talking about gaps of twelve  
24 thousand dollars (\$12,000) for single-parent families.

25 In other words, they're -- if you're on

1 welfare, you're about twelve thousand dollars (\$12,000)  
2 below the threshold, the LICO threshold, which identifies  
3 poverty. If you're a single employable, you're about  
4 fifteen thousand (\$15,000) below that threshold, and for  
5 a couple with two (2) children, you're more than eighteen  
6 thousand (\$18,000) below.

7                   So there had been improvements in poverty  
8 levels overall, but there haven't been any really  
9 significant improvements, particularly for people on  
10 poverty and for people in general when it comes to the  
11 gap between their incomes and the poverty line.

12                   I think what's happening here is that a  
13 lot of, shall we say, low-income households have been  
14 moving out of the poverty category, but there are some  
15 people who are very entrenched in poverty, some sectors  
16 of society that are very entrenched in poverty, and  
17 they're a long way behol -- below that LICO line, okay?

18                   THE CHAIRPERSON: Is that because the  
19 welfare rates haven't gone up at the same rate as average  
20 income?

21                   DR. THOMAS CARTER: That is correct, yes.

22

23 CONTINUED BY MR. BYRON WILLIAMS:

24                   MR. BYRON WILLIAMS: And, Professor  
25 Carter, just a couple of points --

1 DR. THOMAS CARTER: Yeah.

2 MR. BYRON WILLIAMS: -- on that.

3 Perhaps, for the Board, that's captured in an -- some of  
4 that in -- information in an Information Response  
5 Manitoba Hydro to Carter 1-1. And, Professor Carter, the  
6 -- the information that you presented, am I correct in  
7 suggesting it's from your own research and it relates to  
8 data from around 2005 or so, sir?

9 DR. THOMAS CARTER: Yeah. It relates to  
10 data from 2005 to 2008, that's correct. And, I mean,  
11 I've drawn on the Statistics Canada to a considerable  
12 extent, but also other sources of welfare income and  
13 comparisons with the poverty line.

14 I might add, if I can, Mr. Williams, that  
15 the improvements -- or the fall in the number of people  
16 in poverty over that ten (10) year period, '98 to 2008  
17 that I mentioned. Most economists and -- and most social  
18 policy analysts would suggest that the improving economy  
19 over that time period certainly had an effect and took  
20 people out of poverty.

21 There's also some evidence to suggest that  
22 the introduction of the child tax credit during that time  
23 also made a difference. I might also add though that  
24 since 2008 things may be reversing.

25 There's certainly evidence within the



1 welfare caseload to suggest that while the welfare  
2 caseload has been increasing, so with the more -- with  
3 the recession, I guess, and -- although we didn't  
4 experience a whole lot of problems with recession in  
5 Manitoba, but with the changing economic circumstances we  
6 may be seeing a reversal in poverty trends. We're  
7 certainly seeing a reversal in welfare trends, okay.

8 MR. BYRON WILLIAMS: And perhaps just I  
9 can get you to highlight that factor and ask you what, if  
10 any, information you can provide us by way of update  
11 about the number of persons on income assistance in  
12 Manitoba and the -- the number of -- I'll ask it as the  
13 number of cases and the number of persons, sir.

14 DR. THOMAS CARTER: Okay, I took the  
15 figures -- the most recent figures are from the 2009/'10  
16 annual report from Family Services. And the caseload --  
17 sorry, I'll have to just check that. The caseload was  
18 thirty-three thousand two hundred and thirty-three  
19 (33,233) cases.

20 And the participants, that's the  
21 individuals that are part of that caseload, was about  
22 fifty-nine thousand seven hundred (59,700), I believe,  
23 so. And that's up over recent figures by a couple of  
24 thousand, okay.

25 MR. BYRON WILLIAMS: Wha -- what if --

1 speaking of -- of LICO after tax, what, if any,  
2 observations can you make in terms of the proportion of  
3 low-income persons at or below LICO after tax who are  
4 persons on income assistance in Manitoba?

5 DR. THOMAS CARTER: Well, it's very hard  
6 to compare participants on welfare and participants in  
7 low income. There's -- there's no real good database  
8 that you can do that. But, I mean, there's -- there's no  
9 doubt about the fact that many of the people in poverty,  
10 of course, are people on -- on Social Assistance in the  
11 province.

12 I can't necessarily give you an exact  
13 percentage, but I would suspect that the majority of the  
14 people in poverty in Manitoba would be on Social  
15 Assistance.

16 MR. BYRON WILLIAMS: And when you use  
17 poverty in that sense, you're using LICO at a hundred  
18 percent as kind of a shorthand proxy?

19 DR. THOMAS CARTER: I am, yes, LICO at a  
20 hundred percent.

21 MR. BYRON WILLIAMS: Professor Carter, I  
22 think we've already discussed the relative mobility of  
23 some groups within the low-income bracket, and also the -  
24 - the entrenchment of others.

25 I wonder if we can turn to various

1 approaches to address energy poverty, recognizing, of  
2 course, that Professor Colton has talked a lot about this  
3 already, so we'll try not to duplicate what Mr. Colton  
4 has -- has done already.

5 I wonder, Professor Carter, if you would  
6 be -- discuss what you consider to be the components or  
7 factors contributing to energy poverty?

8 DR. THOMAS CARTER: Well, I -- I feel  
9 there's -- there's three (3) main components to energy  
10 poverty. First of all, there's the household energy  
11 efficiency or inefficiencies, okay. Then there's the --  
12 the price of energy. The price of fuel would be the  
13 second. And the third would be low household income.

14 So the mix of those three (3) factors,  
15 energy efficiency or ine -- inefficiency, fuel prices,  
16 and low household income, that's what you throw into the  
17 mix when you are defining energy poverty. And of course  
18 I think the important aspect of that is if you're going  
19 to address energy poverty and you're gonna do it in a  
20 holistic fashion you have to look at all three (3) of  
21 those factors.

22 MR. BYRON WILLIAMS: And again,  
23 recognizing that Mr. Colton's already put a lot of  
24 evidence on the table in terms of mechanisms to approach  
25 energy poverty, I wonder if you can indicate how, in your

1 evidence, you categorized some of the major approaches to  
2 energy poverty. And this would be captured in Mr. --  
3 Professor Carter's report at pages --

4 DR. THOMAS CARTER: Yeah.

5 MR. BYRON WILLIAMS: -- 26 through 28.

6 DR. THOMAS CARTER: I really looked at it  
7 from the perspective of four (4) approaches. First of  
8 all there's the demand-side approaches where funds,  
9 loans, or grants are provided to households so they can  
10 purchase more energy efficient appliances, or retrofit or  
11 weatherize their homes. These are generally one (1)  
12 time incentives to help you out.

13 Then there's the supply side. These are  
14 direct payments or -- or subsidies to household --  
15 households to increase their income to help them cover  
16 the cost of energy and this could include emergency  
17 assistance, okay. But, these are generally approaches  
18 where there is a flow of income to a household to help  
19 them deal with the energy poverty that they're  
20 experiencing. They may be discount programs on their  
21 bills, they may provide bill reductions by a fixed  
22 percent or a fixed amount, but it is a flow of income to  
23 the household to help them deal with payments of energy.

24 A third approach is sort of the regulatory  
25 requirements and frameworks that are set in place. This

1 could be legislation to change building codes, it could  
2 also be price controls that fall into the regulatory  
3 category.

4 Then there's the -- the bill management  
5 approach, the focus is on bill management. This could be  
6 negotiation of late payment charges, it could be a plan  
7 to pay down their arrears, it could equalized payment  
8 plans, forgiveness plans.

9 So those were the, sort of, four (4) main  
10 approaches. I mean, less common approaches include tax  
11 incentives to developers to upgrade the energy efficiency  
12 of their buildings they're building or energy efficient  
13 mortgage vehicles.

14 MR. BYRON WILLIAMS: Professor Carter,  
15 you are aware that -- that in Manitoba Hydro's rebuttal  
16 evidence there was some suggestion that some persons on  
17 income assistance already receive a contribution for  
18 their -- the utility bills from in -- income assistance.

19 My -- so my question to you is: Have you  
20 investigated the issue, and if so, what have you learned?

21 DR. THOMAS CARTER: Yes, I did and there  
22 -- there is a sector out there who already have help with  
23 their energy bills, that's the people on Social  
24 Assistance.

25 And what I found is that people on Social

1 Assistance, if their utilities -- their energy costs are  
2 part of their rent then the rent is increased accordingly  
3 to cover that cost. If they pay their utilities  
4 separately then there is a reconciliation at the end of  
5 every twelve (12) months to ensure that they get a  
6 payment to cover the cost of those utilities.

7                   If there's no records for the last twelve  
8 (12) months, then they make an estimate -- they do an  
9 estimate on the basis of what they think the costs are  
10 gonna be in the coming twelve (12) months and then you --  
11 there's a reconciliation at the end of twelve (12)  
12 months, they either have to pay some back if they've been  
13 overpaid or they get an extra cheque if they've been  
14 underpaid in terms of the coverage.

15                   Now I spoke to people in social housing,  
16 there's a lot of people on Social Assistance in social  
17 housing, so they deal with this on a regular basis and  
18 they confirmed that that was the case, and I also spoke  
19 to members of Family Services. So that's my  
20 understanding, so people on Social Assistance get their  
21 utilities covered.

22                   Having said that, I -- I know that there  
23 are some people who fall through the cracks. For  
24 example, if they move once or twice during the year, and  
25 high mobility rates are common amongst low-income people,

1 particularly if they're renters, it isn't always the case  
2 that this reconciliation occurs. And if they exit Social  
3 Assistance during the year, there may also be situations  
4 where the reconciliation does not occur and they don't  
5 necessarily have their utilities covered.

6                   Unfortunately, I can't give you a  
7 percentage of those that miss out, but it is certain that  
8 some of them fall through the cracks.

9                   MR. BYRON WILLIAMS: We're going to move  
10 into the area of programming to address issues related to  
11 poverty and energy poverty, sir. And of course not using  
12 the word "high level," but I -- I wonder from your  
13 perspective, on -- on a -- at a conceptual level, when do  
14 poverty alleviation pro -- programs work most  
15 effectively?

16                   DR. THOMAS CARTER: In my opinion they  
17 work most effectively when they are part of and  
18 integrated with broader poverty alleviation strategies.  
19 Poverty alleg -- alleviation strategies should be a  
20 series of integrated programs that target these  
21 vulnerable groups in society that I mentioned.

22                   They should provide significant assistance  
23 to raise people's incomes to a -- a, you know, a liveable  
24 wage. But in addition that, I think it's very important  
25 that these alleviation strategies deal with the systemic

1 causes of -- of poverty. Low levels of education, low  
2 levels of skills development, high levels of  
3 unemployment. So poverty alleviation strategies work  
4 best when they're integrated. But also when they're  
5 integrated with education, skills development, and other  
6 programs to -- to get people out of poverty.

7                   The isolated programs that are often  
8 thrown out in particular sectors, I wouldn't argue that  
9 they don't help people, but they're not the long-term  
10 approach if you really want to deal with poverty on a  
11 long-term basis and if you really want to help to get  
12 people out of poverty.

13                   MR. BYRON WILLIAMS: Professor Carter, in  
14 various parts of your evidence you discussed concepts  
15 such as sustainability and participation --

16                   DR. THOMAS CARTER: M-hm.

17                   MR. BYRON WILLIAMS: -- within the wider  
18 context of poverty alleviation, I wonder if you could  
19 outline a few of the key principles which you believe  
20 should guide the creation and assessment of any energy  
21 poverty program?

22                   DR. THOMAS CARTER: Okay. Let me just  
23 pick on what I think are a few of the important  
24 principles. First there's the principle of horizontal  
25 equity, okay. People with similar characteristics should



1 have equal opportunity to participate in poverty  
2 alleviation programs. For example, if you have two (2)  
3 households that have identical levels of income, and sit  
4 at the same level on the poverty scale but one (1) is an  
5 owner and one (1) is a renter, they should have -- both  
6 have equal access to programs.

7           However, what I've found in the review is  
8 that a lot of the programs that were targeted to low  
9 income often did not meet this principle because in some  
10 cases they excluded renters, or the participation rate of  
11 renters was much lower. So that -- that principle of  
12 horizontal equity I think is -- is an important one.

13           Another one that I think is very important  
14 is sustainability. For some, poverty is a long-term  
15 commitment, if you want to call it that, okay. As I  
16 said, about 11 percent are in poverty for six (6) years  
17 in a row in that study that I mentioned. So you have to  
18 have programs that ensure adequate assistance over a long  
19 period of time.

20           In other words, they must be sustainable  
21 over a long period of time if they're going to be  
22 effective poverty alleviation measures because people on  
23 very low incomes and people in great depths of poverty,  
24 they establish budgets and living standards on income  
25 flow, and income flow, and a regular income flow, is very

1 important to them.

2                   And if you introduce a program and they're  
3 getting a flow under that program, and two (2) years  
4 later you yank it away, it makes them -- it makes it very  
5 difficult for them to adjust budgets and adjust lifestyle  
6 activities. So staina -- sustainability is -- is pretty  
7 important.

8                   And I think the other one that's important  
9 is -- is adequacy, okay? An integrated poverty strategy  
10 should provide sufficient incover -- income to cover all  
11 essential living requirements and provide quality of life  
12 and the necessary support for people. And I've already  
13 talked about the depth of poverty, particularly for  
14 people on Social Assistance. So, you know, they -- there  
15 has to be a sense of adequacy to bring that up to what we  
16 consider a reasonable level.

17                   So sustainability, horizontal equity,  
18 adequacy. Other principles that I could mention, there's  
19 -- there's the principle of universality: everybody  
20 should be eligible who meets the program requirements,  
21 but that's very similar to horizontal equity, as in -- is  
22 inclusion. I mean, people shouldn't be excluded for any  
23 particular reason. What I did find, too, with some  
24 programs is that some people were excluded because they  
25 weren't in the particular geographic area. It was

1 focussed on urban as opposed to rural or -- or whatever  
2 the case may be. But -- so inclusion was a poli -- a  
3 problem.

4                   Participation I think is important.  
5 Programs have to achieve high levels of participation for  
6 those who are eligible, and some of the programs just  
7 don't meet that principle of participation. Other ones,  
8 I guess: consultation, cost effectiveness,  
9 administrative efficiency. There's many more, but  
10 horizontal equity, sustainability, and adequacy are --  
11 are very important.

12                   MR. BYRON WILLIAMS: Okay. And you rank  
13 participation high as well, sir?

14                   DR. THOMAS CARTER: Yes, I would.

15                   MR. BYRON WILLIAMS: At pages 40 to 42 of  
16 -- of your evidence, you -- you identify some of the  
17 benefits that flow from various energy support programs,  
18 and I know that your evidence there is focussing on  
19 demand-side -- side programs such as low-income energy  
20 efficiency programs, or LIEEPS, L-I-E-E-P-S. But I  
21 wonder if you could broaden your answer and comment, to  
22 the extent of your knowledge, as it relates to the  
23 benefit of supply-side programs as well such as low-  
24 income rate affordability programs?

25                   DR. THOMAS CARTER: Okay. Well, I mean,

1 some of the advantages supply-side, but also demand-side,  
2 they do alleviate energy poverty to a certain extent.  
3 You know, I -- I don't think they do an adequate job, but  
4 a dollar in your pocket is -- is better than no dollar in  
5 your pocket, okay? So there's -- there's that benefit,  
6 even though I would argue that, in most cases, the  
7 benefit is not sufficient.

8           But I think that supply-side programs in  
9 particular, but also demand-side programs, they contin --  
10 they contribute to a -- a general but a modest  
11 improvement in the health and well-being and general  
12 quality of life, so, you know, money in people's pocket  
13 is -- is a good thing in terms of the ability of these  
14 people to bear the cost of living and provide a quality  
15 of life for the family.

16           I think, too, that both demand and supply-  
17 side programs, they can help reduce the cost of credit  
18 collection, bad debts, termination and reconstruction  
19 costs for the utility. On the demand side, more  
20 specifically, some of these programs are certainly a  
21 source of employment, there's no doubt about that. They  
22 can also be educational vehicles, particularly education  
23 on energy efficiency. They provide green jobs, they  
24 develop skills, they reduce emissions.

25           So there's many positive things about

1 these programs, and I don't want to discount those  
2 positive aspects, but let me reiterate that I don't think  
3 many of them are sufficient to make much of a divi --  
4 difference when it comes to poverty alleviation. And  
5 they're not integrated with other programs that help --  
6 that should help address the long-term and systemic  
7 causes of poverty.

8 MR. BYRON WILLIAMS: Can I just -- and,  
9 again, this appears in Professor Carter's evidence, pages  
10 42 to 45, in particular. And in -- in those pages,  
11 Professor Carter, you outline a lot of -- a number of  
12 challenges with some of the programs, both on the supply  
13 and demand-side.

14 But I wonder if you can outline three (3)  
15 or four (4) particular challenges associated with the  
16 delivery of supply or demand energy poverty programming  
17 to low-income households.

18 DR. THOMAS CARTER: Okay. Well, one (1)  
19 of the biggest challenges and I think one (1) of the  
20 biggest problems, of course, would be the low partici  
21 rate -- participation rates of many of these programs.

22 When I was reviewing the literature I  
23 found evidence or indications that participation rates  
24 sometimes were as low as 2 percent but much better for  
25 other programs, but, you know, 35, 40, 45 percent, but

1 certainly not getting the coverage that they should if  
2 they're going to address this principle of horizontal  
3 equity.

4                   Another problem, of course, is that the  
5 working poor are hard to identify because they're not  
6 necessarily on record, okay, the way that people on  
7 Social Assistance are or the way that people that live in  
8 social housing are. They're not clients of existing  
9 social agencies, so how do you identify them? Do you use  
10 the child tax benefit, the GST rebate, tax records,  
11 PharmaCare? You know, how do you get at the working  
12 poor? It's not easy.

13                   Another problem is the high mobility  
14 rates, particularly for renters, but the poor in general.  
15 These people are on the move more than the population as  
16 a whole, so they -- they get qualified for a program, and  
17 they move, okay. They have to requalify or they don't  
18 requalify.

19                   I think another issue which I know that  
20 I've dealt with on a very personal basis through my work  
21 with housing programs, it's there's always a certain  
22 amount of apprehension and suspicion about dealing with  
23 government, okay. They always want your tax records or  
24 your income or whatever the case may be. So there's that  
25 problem too.

1                   And there -- there's a range of other  
2 problems. People in poverty are so occupied with  
3 everyday existence that they don't have a lot of time to  
4 spend on this. They have low levels of education and  
5 there may be problems understanding and filling in  
6 applica -- applications. They don't necessarily use the  
7 standard means of communication that are part and parcel  
8 of society. And you also find that there's language and  
9 literacy problems amongst some of the group that should  
10 be targets for these programs, so there is -- there's a  
11 lot of difficulty.

12                   And I think one (1) of the bigger  
13 difficulties too which I should mention is that there's a  
14 real challenge dealing with renters, and I -- I think the  
15 Board is probably well aware of that. But with renters,  
16 do you deal with the landlord? Do you deal with the  
17 tenant? Who gets the subsidy? So on and so forth.

18                   So there's quite a number of issues and  
19 problems and challenges with these particular programs.

20                   MR. BYRON WILLIAMS: The one (1) part of  
21 your evidence that the Board may wish to have in front of  
22 it is -- can be found at pages -- Section 4.2 and pages  
23 30 to 34.

24

25

(BRIEF PAUSE)

1                   MR. BYRON WILLIAMS:   Professor Carter,  
2   you spent a fair bit of time in your evidence discussing  
3   energy poverty programming in the United Kingdom.  I  
4   wonder if you can explain why that was the focus of your  
5   discussion and what you learned from your conceptual  
6   literature review.

7                   DR. THOMAS CARTER:   Yes, I spent a fair  
8   bit of time on the UK and -- and I did that because in  
9   looking at the UK and in reviewing the literature,  
10  they're perhaps one (1) of very few countries, maybe the  
11  only country, that took a national approach that  
12  attempted to address all three (3) of those important  
13  components of energy poverty that I highlighted: the --  
14  the household energy efficiency or inefficiency, prices,  
15  and low household income.

16                   And let me just briefly run through the  
17  examples here.  They provided a demand-side weather --  
18  weatherization program to address energy efficiency.  
19  There were grants of thirty-five hundred (3,500) to six  
20  thousand (6,000) pounds.  I'm not sure what that is in  
21  dollars, but you get a rough idea that it's a reasonable  
22  amount of money.

23                   And with that money you could do  
24  everything from put in a new furnace, there was energy  
25  education, there was insulation, but even more so, which



1 I think is important, is that there was a very proactive  
2 approach to get people involved, provide applications,  
3 and follow up to see why people hadn't applied that  
4 should be eligible.

5                   So that was important. And I guess the  
6 other thing that's important here is that that particular  
7 program I think to about 2008 had already assisted over a  
8 million households, okay. So it wasn't small potatoes  
9 here. The other thing they had is the regulatory  
10 framework. They established a gas and electricity  
11 council to work with energy providers to control energy  
12 prices.

13                   But on the supply side they -- the had two  
14 (2) programs. They had a cold weather and a winter fuel  
15 payment programs where the -- there were payments made  
16 directly to eligible households to help them deal with  
17 energy problems.

18                   Under the cold weather program low-income  
19 households received twenty five (25) pounds for every  
20 seven (7) days the temperature fell below 0 degrees  
21 Celsius. I -- I see a nightmare in terms of trying to  
22 administer that program, but anyway, that -- it was  
23 there.

24                   But more importantly, there's the winter  
25 fuel payment which goes automatically to households over

1 the age of sixty (60), and it's a hundred and twenty-five  
2 (125) to up to four hundred (400) pounds a -- a year, or  
3 during the winter, okay. So these were direct payments  
4 to eligible participants that put money in their pocket.

5 The other thing though that I -- I thought  
6 was interesting and I -- I guess I liked about the -- the  
7 British approach is that assistance was paid  
8 automatically to households that were in receipt of other  
9 public benefits, that this was an automatic thing.

10 For example, if they were on income  
11 support, if they were receiving council tax benefits,  
12 housing benefits, job seekers allowance, pension credit,  
13 income related employment and support allowance, working  
14 tax credit, disability living allowance, the list is  
15 long.

16 And they were automatically qualified,  
17 which of course raised the participation rates. So in my  
18 mind it was a -- it was an integrated program approach  
19 that met with considerable success over the longer term.  
20 There was some effort to control prices, effort to  
21 improve energy efficiency and efforts to put money in  
22 people's pocket.

23 Some would argue and they might be right  
24 that there was over-inclusion. But, you know, they  
25 certainly did raise participation rates.

1                   However, if -- if I can go on, I guess  
2 that the -- the current status and the -- the success of  
3 these programs is -- is threatened by a number of things,  
4 increases in energy prices worldwide, which has increased  
5 the costs.

6                   Rising deficits and debts at the national  
7 level in the UK, and of course the changing political  
8 environment. What I notice that I think is important is  
9 that the -- the basic benefits that people were receiving  
10 to qualify them remain in place. But there's a great  
11 deal of discussion, and I think the potential, that these  
12 programs like cold weather payments and winter fuel  
13 payments may in fact disappear, okay.

14                   MR. BYRON WILLIAMS: Professor Carter,  
15 and, Mr. Chairman, we -- we've probably got, I'm going to  
16 guess, twenty (20) -- we -- we've moved through 80  
17 percent of Professor Carter's -- Professor Carter's  
18 evidence. I could -- I could suggest a break now or in a  
19 -- in a few minutes.

20                   I leave that to your discretion.

21                   THE CHAIRPERSON: Okay. We'll take the  
22 break now.

23

24 --- Upon recessing at 10:53 a.m.

25 --- Upon resuming at 11:13 a.m.

1 THE CHAIRPERSON: Okay. We might as  
2 well get back to it. Okay. In the meantime I'll ask a  
3 couple of other questions that don't --

4 MR. BYRON WILLIAMS: And, Mr. Chair --

5 THE CHAIRPERSON: -- relate directly --

6 MR. BYRON WILLIAMS: -- I might have some  
7 small edits or something that will assist while you're  
8 waiting for others too.

9 THE CHAIRPERSON: Okay. Well, I --

10 MR. BYRON WILLIAMS: Well, go ahead with  
11 your questions. I apologize.

12 THE CHAIRPERSON: Professor Carter, do -  
13 - people that are in chronic poverty do they tend to have  
14 shorter life spans than the rest of the population? Is  
15 there any evidence to that?

16 DR. THOMAS CARTER: Well, there is  
17 evidence to suggest that people in chronic poverty, long-  
18 term poverty, have more health problems. They have  
19 dietary issues because of -- they don't eat the same good  
20 quality food. There's evidence coming out to suggest  
21 that if they live in older housing that is energy  
22 efficient -- not energy efficient and is poorly heated  
23 and poorly maintained that this raises a number of health  
24 problems: everything from asthma to a number of  
25 respiratory diseases.

1                   So, yes, there is -- there's considerable  
2 evidence that links poor health with poverty. And of  
3 course, poor health means shorter life spans as well.

4                   THE CHAIRPERSON:     Does -- does that  
5 extend to the expectation that those in chronic poverty  
6 have more stays in hospital and extended stays?

7                   DR. THOMAS CARTER:    I suspect that it  
8 does, I couldn't say for sure on that, but I do know that  
9 hospitalization rates and the incidence of a number of  
10 diseases tend to be higher in Winnipeg's inner city than  
11 they are in the suburbs, so I would suspect that's the  
12 case, yes.

13                  THE CHAIRPERSON:     You are talking about  
14 a caseload of approximately thirty-three thousand  
15 (33,000) involving approximately sixty thousand (60,000)  
16 people. Of the thirty-three thousand (33,000) caseloads,  
17 presumably that being the -- the primary person involved,  
18 is there any indi -- indications of what percentage of  
19 them are employ -- are employable as opposed to having a  
20 disability?

21                  DR. THOMAS CARTER:    There is a breakdown  
22 and we have it here, I think, by the type of caseload,  
23 you know, single parents. But we also have the number of  
24 that caseload that are on disability -- that are on  
25 Social Assistance because of disability, so we could

1 break those percentages out, yes, yeah.

2 Do you have it Byron?

3 MR. BYRON WILLIAMS: His able assistant  
4 is a little slow, Mr. Chairman, but I think I can assist.

5 THE CHAIRPERSON: Well, while you're  
6 looking at that I'll ask Professor Carter another  
7 question. Is there a relationship between those on  
8 Social Assistance and food banks, and a relationship  
9 between the working poor and food banks?

10 DR. THOMAS CARTER: There is a definite  
11 relationship between those on Social Assistance and food  
12 bank. Winnipeg Harvest puts out a report each year that  
13 breaks that down into statistics, and I don't have it  
14 here, but yes, there's a higher percentage of people on  
15 Social Assistance that use the food bank. The working  
16 poor, you know, I -- I suspect that there is, but I don't  
17 have any figures that I can give you.

18 Just to give you the -- the caseloads.  
19 Thirty-three thousand two hundred and thirty-three  
20 (33,233) total cases in 2009/'10, eight thousand two  
21 hundred and thirty-four (8,234) of those were single-  
22 parent caseloads. And eighteen thousand seven hundred  
23 and forty-six (18,746) fell under the disabled category.

24 So the disabled figure very prominently,  
25 more than half, of -- of the caseload although they are

1 not necessarily more than half of the -- of the  
2 participants because most of the disabled caseload, a lot  
3 of them would be single individuals, okay. But the  
4 caseload is certainly biased towards single parents,  
5 those on disability. And then there's a category of  
6 general assistance that would include families and, you  
7 know, single individuals, particularly single employable  
8 individuals, okay?

9 THE CHAIRPERSON: And -- and what's the  
10 number for the single employable?

11 DR. THOMAS CARTER: It's -- it's not  
12 broken out. It's just a general assistance category, and  
13 it's six thousand and seventy-eight (6,078).

14 THE CHAIRPERSON: Is there any stated  
15 reasons why welfare rate increases haven't kept up with  
16 the average increase in average income?

17 DR. THOMAS CARTER: Nothing that's  
18 justifiable, as far as I'm concerned.

19 THE CHAIRPERSON: Okay. Back to you, Mr.  
20 Williams.

21 MR. ROBERT MAYER: No, not -- not just  
22 yet. Professor Carter, you've been long enough -- been  
23 around long enough to remember the Mincome Manitoba  
24 program --

25 DR. THOMAS CARTER: Yes.

1                   MR. ROBERT MAYER:    -- pilot from the  
2 Schreyer years.  And a couple of years ago, somebody  
3 actually went back into that study and came up with what  
4 I thought were some pretty amazing results.  And have you  
5 had anything to do with, or did you have anything to do  
6 with, or have you subsequently had anything to do with at  
7 least analyzing that program?

8                   DR. THOMAS CARTER:    Yes, I was around,  
9 unfortunately, for that program.  Have I had anything to  
10 do with it?  No, but I am aware of the studies that you  
11 are referring to.  I think you're right, it was a couple  
12 of years ago.  Somebody went back and did a lot of  
13 research on the files, and they came out with some pretty  
14 positive results in terms of what Mincome was able to  
15 achieve, particularly in getting people in, you know,  
16 full-time, longer-term employment, increasing education  
17 levels, improving health and general well being.

18                   So there were some positive results, it  
19 would suggest, that would have come out of that, but of  
20 course it wasn't -- it didn't continue for any great  
21 length of time.

22                   MR. ROBERT MAYER:    The -- and, of course,  
23 it didn't have the opportunity to take -- to, in fact,  
24 prove out the cost-saving results --

25                   DR. THOMAS CARTER:    No.



1                   MR. ROBERT MAYER:    -- that were  
2 originally planned --

3                   DR. THOMAS CARTER:    Yeah.

4                   MR. ROBERT MAYER:    -- by basically  
5 removing or eliminating a number of levels of  
6 administration and bureaucracy.

7                   DR. THOMAS CARTER:    That's right, and it  
8 didn't also -- I -- I haven't -- maybe they're available,  
9 but I don't think so, but, you know, there would be cost  
10 savings in unemployment insurance, there would be cost  
11 savings in healthcare.  So I don't think there was a good  
12 cost-benefit analysis done, to my knowledge.

13

14 CONTINUED BY MR. WILLIAMS:

15                   MR. BYRON WILLIAMS:    Just -- just as a  
16 sidebar, Mr. Chairman will be familiar with a different  
17 witness that CAC/MSOS has had occasion to bring before  
18 the panel, which is a Professor Hum from the University  
19 of Manitoba, and I believe he was the director of the --  
20 the Mincome program and was head of research analysis.

21                   I'm -- I'm going to point out a -- a  
22 correction to be made in CAC/MSOS Exhibit 32.  I'm going  
23 to ask Professor Carter to confirm it when I -- when I  
24 point it out.  Or would you just like to present it,  
25 Professor Carter?

1 DR. THOMAS CARTER: I can present it, if  
2 you want.

3 MR. BYRON WILLIAMS: So it's Exhibit 32.

4 DR. THOMAS CARTER: Yeah.

5 MR. BYRON WILLIAMS: The one (1) pager.  
6 Hold on.

7 DR. THOMAS CARTER: If you look at that -  
8 - oh, sorry. Yeah.

9 MR. BYRON WILLIAMS: Go ahead.

10 DR. THOMAS CARTER: If you look at the  
11 second paragraph of that exhibit, if you go down to the  
12 fourth line, after-tax poverty figure was ninety-six  
13 thousand (96,000) households. That should read ninety-  
14 six thousand (96,000) people, okay? Ninety-six thousand  
15 (96,000) people is about 8.6 percent of the total  
16 population in the province, and that's the -- the poverty  
17 level.

18 And if I can just embellish that a little  
19 bit, if you look at the number of participants on Social  
20 Assistance, which is about fifty-seven (57) -- sorry,  
21 fifty-nine thousand seven hundred (59,700) and some, as I  
22 said, it's not a good, perfect match, but if you have  
23 fifty-seven (57) -- fifty-nine thousand seven hundred  
24 (59,700) participants under Social Assistance and ninety-  
25 six thousand (96,000) people in poverty, it gives you an

1 indication of the importance of the Social Assistance  
2 group to total poverty in the province, okay?

3 MR. BYRON WILLIAMS: And, Professor  
4 Carter, just out of fairness to the -- anyone calculating  
5 that as well, it would be fair to say that the Social  
6 Assistance figures you're presenting are from '09/'10 --

7 DR. THOMAS CARTER: Yes.

8 MR. BYRON WILLIAMS: -- whereas the --  
9 the households in -- in poverty as measured by LICO are  
10 from a 2008 figure?

11 DR. THOMAS CARTER: 2008.

12 MR. BYRON WILLIAMS: Would that be fair?

13 DR. THOMAS CARTER: But if you go back to  
14 2008 Social Assistance figures, it's around fifty-six  
15 thousand (56,000) and something, so, yeah.

16 MR. BYRON WILLIAMS: Professor Carter,  
17 you're aware that we've had Mr. Colton providing evidence  
18 in this hearing, and I just want to ask you if you can di  
19 -- discuss the extent to which you have reviewed the  
20 American literature and the extent to which you included  
21 the literature you reviewed in your bibliography to this  
22 report.

23 DR. THOMAS CARTER: Yeah. I didn't  
24 ignore the literature from the United States, but I  
25 didn't conduct an extensive review of that literature.

1 And I took that particular approach because I realized  
2 that Mr. Colton has performed an extensive amount of work  
3 on that and has done an extensive amount of work in the  
4 United States. He's certainly the -- the expert in that  
5 area. So I focus more on literature from other  
6 countries. Having said that, I -- I didn't ignore the --  
7 the American literature, and I did look at two (2) of Mr.  
8 Colton's reports from 2007 even though I didn't include  
9 them in my bibliography. And there was other American  
10 literature I looked at as well.

11 MR. BYRON WILLIAMS: And just to assist  
12 Mr. Hacault, we've been asked by one (1) Intervenor to  
13 clear up a potential confusion in your evidence,  
14 Professor Carter. In your evidence at Section 4.5, pages  
15 39 and 40, you discuss two (2) US programs on the -- one  
16 (1) on the supply high -- side, being LIHEAP, L-I-H-E-A-  
17 P, and one (1) on the de -- demand side being W-A-P. I'm  
18 not going to try and pronounce that one.

19 Would it be fair to say that in the US  
20 context your written report primarily looked at  
21 information related to programs delivered by the US  
22 Federal Government as compared to those delivered by  
23 utilities or states?

24 DR. THOMAS CARTER: Yes, that would be  
25 fair to say that.



1 participation rates were -- were all -- all over the map,  
2 but, you know, we were talking about 35, 33, 44 percent.  
3 What I found in the literature I reviewed, and bearing in  
4 mind it was not an exhaustive review, but participation  
5 rates generally fell below 50 percent of the eligible  
6 applicants.

7                   In fact, I think in the APPRISE Report,  
8 Mr. Colton's 2007 report, he showed that only one third  
9 (1/3) to less than one half (1/2) of eligible households  
10 are served by the programs, so.

11                   MR. BYRON WILLIAMS:   Now, Professor  
12 Carter, with regard to the evidence that you are aware of  
13 in terms of low-income eligibility programs, please  
14 evaluate -- in -- in terms of energy poverty, excuse me,  
15 please evaluate their participation levels in terms of --  
16 as compared to other Canadian poverty alleviation  
17 programs, such as income assistance or welfare.

18                   DR. THOMAS CARTER:   Well, I guess, you  
19 know, as I've just said, participation rates under these  
20 programs are a pre -- a challenge. They generally tend  
21 to be on the low side, under 50 percent, and, you know,  
22 there's a variety of things that limit those  
23 participation rates, and I've already referred to some of  
24 those and pointed out to -- pointed them out in my  
25 report.

1                   And, of course, with low participation  
2 rates, you get real problems with horizontal equity. You  
3 get people who have the same income and lifestyle  
4 situations who get money as ones who -- compared to ones  
5 who -- who don't get money. And that -- that is not only  
6 a problem of horizontal equity, but if you have a  
7 situation where those particular programs are paid for  
8 through charges to the ratepayers of the utility, you get  
9 a group of people that are eligible, but don't get the  
10 assistance, but have to help pay for those who do get the  
11 assistance.

12                   So the -- it -- there's a lack of  
13 horizontal equity there, there's a lack of adequacy, and  
14 it's almost like a double-whammy if you're basically  
15 eligible but not receiving the assistance.

16                   Now, if you compare that to some of the --  
17 the broader approaches to poverty alleviation and broader  
18 approaches to social policy, you know, if you look at  
19 Social Assistance, for example, I don't think eligibility  
20 is maybe 100 percent, but it's -- it's close. I mean,  
21 you -- you have a lot better coverage, you have a lot  
22 higher participation rate. Maybe welfare isn't adequate,  
23 but at least tho -- most of those who are eligible are  
24 benefiting, okay?

25                   So there's a -- there's a problem here

1 when you're using energy poverty alleviation programs and  
2 the poverty is twofold: low eligibility but you may run  
3 into the situation where some of those who are eligible  
4 end up paying for those that are getting the assistance,  
5 okay?

6 MR. BYRON WILLIAMS: Within the context  
7 of poverty alleviation programs targeted at income, what,  
8 if any, views do you have about the effect on available  
9 support and service delivery on the -- on those persons  
10 who either lay outside the income threshold or who do not  
11 take part in the program, for whatever reason?

12 DR. THOMAS CARTER: Well, it's my  
13 experience that many organizations sort of become immune  
14 to the -- the plight of -- of these individuals, and  
15 they're just left out of the picture.

16 Let me go back to my housing experience,  
17 if I might. Usually people are eligible for social  
18 housing assistance if they are paying 30 percent of their  
19 gross household income towards shelter. But there's an  
20 awful lot of people who are just a little bit over that  
21 threshold that never get accepted for assis --  
22 assistance. There are also people under that threshold  
23 who would be eligible, but, for some reason or other,  
24 they don't apply or they're not aware of the public  
25 benefits that are available to them, so they don't





1 There is no doubt about that, yeah. I -- I'm  
2 particularly aware of that in the housing situation.

3

4 CONTINUED BY MR. BYRON WILLIAMS:

5 MR. BYRON WILLIAMS: Professor Carter,  
6 we've talked a little bit about sustainability  
7 previously, but with regard to the sustainability of  
8 these supply and demand programs, whether in the UK or  
9 otherwise, please comment on any evidence that you are  
10 aware of with regards to their sustainability.

11 DR. THOMAS CARTER: Well, first of all, I  
12 guess the -- the evidence from the literature and the  
13 number of appraisals that have been done of these  
14 programs have -- have highlighted that they're not  
15 necessarily all long-term sustainable programs.

16 There are many programs that I looked at,  
17 and I'm sure there's many programs that you're aware of,  
18 that are available for a year or two (2) years or three  
19 (3) years at the most. So long-term sustainability is  
20 not necessarily a characteristic of energy poverty  
21 alleviation programs.

22 I've already mentioned the situation in  
23 the UK and, of course, it can apply to both demand and  
24 supply-side situations. And I guess one (1) of the  
25 arguments I would make here is that these sort of

1 initiatives tend to be less sustainable than some of our  
2 basic poverty alleviation programs, like Social  
3 Assistance, like social housing, like unemployment  
4 insurance, like the child tax credit.

5           Those programs might change with economic  
6 circumstances. They might change with changes in  
7 political philosophy, but the -- they generally remain in  
8 place, whereas energy poverty alleviation programs don't  
9 seem to carry the same sort of guarantee that they're  
10 going to be there on a long-term basis.

11           Of course, for the people who are  
12 ingrained in poverty that long-term sustainability is  
13 very important because of the -- the importance they have  
14 to place on the -- the income cashflow on a day-to-day  
15 basis, okay.

16           MR. BYRON WILLIAMS: I want to challenge  
17 you on that for just a moment, Professor Carter, because  
18 certainly at the federal level in the United States  
19 you're aware that programs such as LIHEAP --

20           DR. THOMAS CARTER: Yeah.

21           MR. BYRON WILLIAMS: -- L-I-H-E-A-P, have  
22 been around for a fair bit of time. Do you have any  
23 comment on that?

24           DR. THOMAS CARTER: They have, and I  
25 wouldn't argue with that. But there's a couple of other

1 problems that -- in addition to sustainability, and one  
2 (1) is the low participation rates of those programs, and  
3 the other is the, of course, level of assistance that  
4 they provide and their overall utility and -- being  
5 poverty alleci -- alleviation programs.

6           You know, putting three (3) to five  
7 hundred dollars (\$500) in a person's pocket, it's no  
8 small change. I mean, it's a reasonable amount of money,  
9 but it certainly doesn't address the problem of poverty  
10 alleviation to any great extent over any long period of  
11 time.

12           When you're talking about people in the  
13 Manitoba context or the Canadian context who are seventy-  
14 five hundred (7,500), sixty-five hundred (6,500), twelve  
15 thousand (12,000) below the LICO level, I wouldn't argue  
16 that it doesn't help, but I don't think you can  
17 necessarily call it a poverty alleviation program, you  
18 know. It's a little -- it's a little bit like the -- the  
19 finger in the dyke. It holds back the water, but there's  
20 a huge flood coming and it's not really dealing with the  
21 -- the flood.

22           You know, don't get me -- don't get me  
23 wrong here though that -- I'm not against programs being  
24 introduced to improve energy efficiency. I think they're  
25 -- they're very necessary and there's a lot of poverty

1 benefits -- or there's a lot of spinoff benefits to those  
2 particular programs: environmental benefits, job  
3 creation.

4                   And, yes, they put money in people's  
5 pockets. And even the small term -- short-term and small  
6 dollar volupal -- volume programs on the supply side,  
7 they do put money in people's pockets, but let's not fool  
8 ourselves. We're not solving the poverty problem with  
9 these particular programs.

10                   So I wouldn't like you to go away thinking  
11 that I'm against some of these approaches. That's not my  
12 argument. My argument is that they're not doing a heck  
13 of a lot to solve the problem of poverty.

14                   MR. BYRON WILLIAMS: I think we've  
15 already discussed why sustainability might be a matter of  
16 concern. You've already discussed some of the challenges  
17 with the delivery of energy poverty program -- with the  
18 delivery of energy poverty programming to low-income  
19 households.

20                   Given your experience in the  
21 administration of a number of these programs aimed in  
22 whole or at part at low-income people, I wonder if you're  
23 prepared to comment on the administrative suitability of  
24 Manitoba Hydro to administer a supply-side program, a  
25 low-income rate affordability program, especially as

1 compared to government or to community organizations,  
2 sir?

3 DR. THOMAS CARTER: Well, as I said  
4 before, I haven't undertaken an extensive -- I haven't  
5 undertaken an evaluation of Manitoba Hydro's programs.  
6 That was not part of my mandate. But let me just make a  
7 -- a few comments. I guess I would doubt that Manitoba  
8 Hydro is best suited to deliver programs to low-income  
9 people.

10 I'm not sure they would have the same  
11 level of expertise, the same administrative programs in  
12 place, the same, shall we say, connection with the low-  
13 income people as agencies like Family Service would have.  
14 So I would argue that they are not as well placed to  
15 deliver poverty alleviation programs as, for example,  
16 Social Assistance.

17 I also suspect that Manitoba Hydro, and I  
18 could be wrong here, but I also suspect that they run up  
19 against some privacy regulations when they try to  
20 identify people from other files, be it the Social  
21 Assistance file or the GST rebate or -- or Pharmacare,  
22 and they may be more likely to run into those problems  
23 than, say, Social Assistance in some of the cases.

24 Also, some of these other agencies like  
25 Family Services have places -- have -- have

1 administrative structures in place that they regularly  
2 use to make payments to low-income people. And I would  
3 suspect that Manitoba Hydro would have to develop these  
4 frameworks, hire staff, so there would be an additional  
5 staff -- staff burden here.

6                   So I guess all things being equal, I would  
7 suggest that Manitoba Hydro is not as well placed as some  
8 other departments in government to deliver energy  
9 affordability alleviation programs -- or poverty  
10 alleviation programs in general.

11                   MR. BYRON WILLIAMS: Professor Carter,  
12 we've -- we've already discussed your comments about  
13 putting a finger in a -- in a -- in the dyke. I'm -- I'm  
14 going to actually just to -- to -- moving you onto page  
15 27 of the -- the outline, I'll just ask you -- you've --  
16 you've made a -- a number of comments that are -- might  
17 be construed as less than positive about the income  
18 assistance system.

19                   Is there anything you wish to add -- add  
20 to that in the interest of -- of balance?

21                   DR. THOMAS CARTER: Well, I'm less  
22 positive about the income assistance program because I  
23 don't really think it necessarily provides a -- a very  
24 good living wage and it's well below the poverty line.  
25 But let me not be totally negative about this because in

1 Manitoba I think that there has been some positive steps  
2 towards longer-term poverty alleviation because what the  
3 province has done is it's integrated the program of  
4 Social Assistance with back-to-work programs, educational  
5 programs, skills development programs.

6 In other words, there's efforts within  
7 that integrated package of programs to try and get people  
8 back in the workforce. I mean, this is positive. This  
9 is the way things should work. There should be  
10 integrated programs that not only provide a good living  
11 wage, but also try and deal with the systemic causes of  
12 poverty, be it poor education levels or whatever the case  
13 may be.

14 So there's things like that happening in  
15 Manitoba, which I think are -- are positive, okay. But  
16 in spite of that welfare rates are way, way below the  
17 poverty line.

18 MR. BYRON WILLIAMS: Well, let me use  
19 that as a segue, Professor Carter. How would you respond  
20 to the argument that while you say comprehensive govern -  
21 - government actions are what's needed --

22 DR. THOMAS CARTER: M-hm.

23 MR. BYRON WILLIAMS: -- you've also put  
24 evidence on the table that the relative level of income  
25 assistance program support has declined?



1 DR. THOMAS CARTER: Just -- can you just  
2 run that by me again, please?

3 MR. BYRON WILLIAMS: I'll try, sir.

4 DR. THOMAS CARTER: Okay. Sorry.

5 MR. BYRON WILLIAMS: We might be going a  
6 little off script here.

7 DR. THOMAS CARTER: That's okay.

8 MR. BYRON WILLIAMS: How would you  
9 respond to the argument that while comprehensive  
10 government programming is what's needed, you've also put  
11 evidence on the table that the relative level of income  
12 assistance program, in terms of the level of support, has  
13 declined.

14 DR. THOMAS CARTER: Well, certainly the  
15 level of support has declined relative to the cost of  
16 living and relative to the -- the poverty level, there's  
17 no doubt about that. But I guess one (1) of the things  
18 that I would say here, I -- I mean, I've just mentioned  
19 some of the positive things about the Manitoba program,  
20 but as we move forward I think we sort of have to ask  
21 ourselves how are we gonna deal with this problem of  
22 poverty? Are we going to do a bits and pieces  
23 approach? Energy prices are increasing, so are we going  
24 to -- and we know there's energy poverty out there, are  
25 we going to come up with a -- a program to address that

1 particular problem?

2                   But, you know, food prices are increasing,  
3 housing prices are increasing, the cost of healthcare is  
4 increasing. So how are you gonna address poverty? Are  
5 you gonna take a bits and pieces approach to addressing  
6 it? You know, a patch here and a patch there, or are you  
7 going to develop a broader poverty alleviation strategy  
8 that builds on some of the basic planks that we have in  
9 place -- in place to address poverty, that being, Social  
10 Assistance, income assistance, social housing, pensions,  
11 and so on, okay.

12                   I would argue that the bits and pieces  
13 approach isn't going to be very effective because it's  
14 not integrated -- it won't necessarily deal with some of  
15 the systemic causes of poverty. I would also argue that  
16 the bes -- bits and pieces approach, it will have to  
17 change, you've got to have a patch here and a patch  
18 there. You ask the energy utilities to come to the table  
19 to provide a little bit of help. Are you gonna ask the  
20 big food giants to come to the table to provide a little  
21 help because food prices are going up? I don't  
22 necessarily think that that's the case and I don't think  
23 it's gonna work.

24                   I think that poverty alleviation policies  
25 are the mandate of the provincial government, and the

1 provincial government has to build a package and it has  
2 to build that package on the basic planks that they have  
3 in place to deal with poverty.

4 MR. ROBERT MAYER: Professor Carter, do  
5 you honestly believe that the provincial government with  
6 its limited powers can actually do a comprehensive --  
7 comprehensive poverty program without the full assistance  
8 and participation of the federal government?

9 DR. THOMAS CARTER: No, I do not believe  
10 that because you're spot on. I mean, there are many  
11 factors that are beyond the control of the provincial  
12 government. I mean, there's economic policy, there's  
13 interest rate policy, there's immigration policy.  
14 There's a whole group of social and economic envelopes  
15 out there that the province doesn't necessarily have  
16 entire control over.

17 So, you know, I've been talking about the  
18 provincial government, but I -- I should be talking about  
19 government in general because you couldn't be more right.  
20 I mean, the federal government has to play a role here as  
21 well.

22

23 CONTINUED BY MR. BYRON WILLIAMS:

24 MR. BYRON WILLIAMS: Just to -- to finish  
25 up, Professor Carter, let's assume that the regulator

1 feels it cannot wait or that it is the responsibility of  
2 a Crown corporation such as Hydro to assume greater  
3 responsibilities. Let's assume as well that the Public  
4 Utilities Board intends to introduce a supply-side low-  
5 income rate affila -- affordability program and that the  
6 working poor are its primary target.

7 If the working poor are the primary target  
8 of a low-income rate affordability program, how do you  
9 reach them?

10 DR. THOMAS CARTER: Okay. Let me just  
11 say a few comments about whether we can wait or not, and  
12 it seems we've been waiting on the politicians for many,  
13 many years. So I appreciate the frustration in many  
14 places, that they're not getting the job done, and I  
15 acknowledge that.

16 But, you know, how do we argue this? Do  
17 we argue in on the basis of principles? I -- I think the  
18 -- the politicians have been in a situation where they've  
19 sort of gone after the low-hanging fruit, and the low-  
20 hanging fruit in this case includes energy poverty  
21 alleviation programs, so they pluck it out and say, Hey,  
22 here's another part of our plank.

23 Well, yes, it makes an improvement, but it  
24 doesn't address the -- the issues of poverty alleviation  
25 overall. So I can appreciate the -- the frustrations,

1 but I still think it's important to raise and go after  
2 the basic principles that we need in the poverty  
3 alleviation program.

4           The working poor, how do we reach them,  
5 because they should be a primary target, particularly the  
6 Social Assistance recipients are receiving assistance, so  
7 how do we get them? With great difficulty.

8           One (1) of the things that I did read in  
9 one (1) of the studies which I thought was positive, and  
10 I see it happening in the UK as well, is that there are  
11 situations where you can work with the employers of the  
12 working poor to make sure that they're aware of the  
13 benefits that are available, the public benefits that are  
14 available.

15           And there's evidence to suggest this has  
16 occurred, and when it occurs it yields positive results.  
17 That particular study pointed out that -- I think this  
18 was -- this was in the United States. It talked about a  
19 single parent with two (2) children who was working for  
20 eight dollars and four cents (\$8.04) an hour.

21           Her employer made her aware of public  
22 benefits. That raised her effective hourly income to  
23 eighteen dollars (\$18) an hour. So you got a happier  
24 employer, you've got a better paid employee, and  
25 everybody benefits.

1                   And I know that in the UK -- I mean, I --  
2 I speak from experience of people I've worked with and  
3 people I know over there that public employers do make a  
4 greater effort to promote public benefit programs. So I  
5 think that's an option that's worth looking at, okay.

6                   Then there's the option of automatic  
7 referral, which I mentioned in the UK situation, where if  
8 they receive other benefits, they're automatically  
9 eligible. We haven't done that in Canada, to the best of  
10 my knowledge, although I could be wrong.

11                   But there's the GST rebate, which I'm sure  
12 some of the working poor might get. There's the child  
13 tax credit. There's PharmaCare. I'm not suggesting  
14 these are great solutions. I'm just suggesting that  
15 these are options that we might want to look at where  
16 people become automatically eligible, okay.

17                   And even if we could share the names on  
18 those files, and I know there's -- there's privacy  
19 situations, but -- so there's a variety of approaches.  
20 And, of course, there's more proactive marketing, but, to  
21 be quite frank, this is not an easy nut to crack because  
22 the working poor, they change frequently and there's no  
23 easy identification.

24                   MR. BYRON WILLIAMS:    Professor Carter,  
25 you referenced a study and -- and just I want to make

1 sure I -- I have the proper study.

2 DR. THOMAS CARTER: It's the WINS.

3 MR. BYRON WILLIAMS: You're indicating  
4 it's the WINS study, so that would --

5 DR. THOMAS CARTER: Yeah.

6 MR. BYRON WILLIAMS: -- be the 'W' --  
7 capital W-I-N-s private employers and public benefits by  
8 Geri Scott.

9 Is that what you're referring to, sir?

10 DR. THOMAS CARTER: Yes, that's right.

11 MR. BYRON WILLIAMS: And just for the --  
12 for the -- the panel, an excerpt of that is found in the  
13 CAC/MSOS book of documents which was used in the cross-  
14 examination of Professor Colton, and that's at page 78.  
15 That was a docs -- document which was originally ref --  
16 referenced by Mr. -- Mr. Colton.

17 Professor Carter -- or excuse me, to the  
18 panel and Mr. Vice-Chair -- let me back up. Professor  
19 Carter, is there anything else you wish to add via direct  
20 evidence?

21 DR. THOMAS CARTER: No, I don't think so.  
22 Not at this time.

23 MR. BYRON WILLIAMS: Mr. Chairman and Mr.  
24 Vice-Chair, Professor Carter, I'd like about two (2)  
25 minutes to confer with him, but he is ready for cross-

1 examination, sir.

2 THE CHAIRPERSON: Okay. Well, you might  
3 as well take your time and we'll take the break and come  
4 back at one o'clock.

5

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

7 --- Upon resuming at 1:03 p.m.

8

9 THE CHAIRPERSON: Okay. Welcome back,  
10 everyone.

11 Mr. Williams...?

12 MR. BYRON WILLIAMS: Just one (1) quick  
13 thing. Mr. Chairman, you had a conversation with Mr.  
14 Carter in terms of relative levels of caseloads and  
15 participants for per -- persons on income assistance as  
16 well as a breakdown. And just -- I don't think we put a  
17 source on the record for that information.

18 That would be from the most recent annual  
19 report of the Department of Family Services and Consumer  
20 Affairs of the Province of Manitoba, and that's for the  
21 2009/'10 year. And, in particular, Mr. Carter --  
22 Professor Carter was referring to page 68 which has a  
23 fabulous breakdown of the various categories, as well as  
24 the three (3) most recent years. So it would have  
25 2007/'08, '08/'09, and '09/'10.



1                   So certainly we wanted to make sure you  
2 had the source. We did photocopy over the -- over the  
3 lunch that page and the cover page. So if the Board  
4 would -- would find it of assistance we'd be -- you --  
5 you don't require it, but if you'd like it we'd be happy  
6 to provide it.

7                   THE CHAIRPERSON:       That's fine. Mr.  
8 Singh can make the -- the copies.

9                   MR. BYRON WILLIAMS:     Then I would suggest  
10 it would become an exhibit being CAC/MSOS Exhibit 35.

11                  THE CHAIRPERSON:     Okay.

12                  MR. BYRON WILLIAMS:   And I have copies  
13 for you, Mr. Singh, at least a few.

14

15 --- EXHIBIT NO. CAC/MSOS-35:

16                               2009/'10 Report of the Department of  
17                               Family Services and Consumer Affairs of  
18                               the Province of Manitoba

19

20                  THE CHAIRPERSON:     I think we can proceed  
21 while that's ongoing. Is that fair enough?

22                  MR. BYRON WILLIAMS:   Yes, it is, Mr.  
23 Chairman.

24                  THE CHAIRPERSON:     Mr. Gange, for  
25 RCM/TREE or the Green Centre.

1 CROSS-EXAMINATION BY MR. WILLIAM GANGE:

2 MR. WILLIAM GANGE: Thank you, Mr. Chair.  
3 Professor Carter, if I slip into "Mr." sometimes, no  
4 disrespect.

5 DR. THOMAS CARTER: That's fine. That's  
6 fine.

7 MR. WILLIAM GANGE: The -- and, Mr.  
8 Chair, I have provided to Mr. Singh the -- a few pages of  
9 documents that may be referred to and we've -- I'd like  
10 to have that marked as RCM/TREE Exhibit number 13, if I  
11 could.

12 THE CHAIRPERSON: Very good.

13 MR. WILLIAM GANGE: Thank you.

14

15 --- EXHIBIT NO. RCM/TREE-13: Few pages of documents

16

17 CONTINUED BY MR. WILLIAM GANGE:

18 MR. WILLIAM GANGE: Mr. Carter, the Chair  
19 mentioned that you had been qualified before this Board  
20 previously.

21 In what hearing was that?

22 DR. THOMAS CARTER: That was a hearing on  
23 payday lending.

24 MR. WILLIAM GANGE: Payday loans.

25 DR. THOMAS CARTER: Yeah.

1 MR. WILLIAM GANGE: When I look through  
2 your CV, impressive and as lengthy as it is, am I fair --  
3 is it fair for me to say, sir, you have no experience  
4 dealing before an energy regulator?

5 DR. THOMAS CARTER: That's a fair  
6 statement, yes.

7 MR. WILLIAM GANGE: Yes. And is it also  
8 fair for me to say that you -- in fact, you have no  
9 experience, sir, in dealing with reviewing energy  
10 policies before a regulatory body?

11 DR. THOMAS CARTER: Not before a  
12 regulatory body, no.

13 MR. WILLIAM GANGE: Right.

14 DR. THOMAS CARTER: Yeah.

15 MR. WILLIAM GANGE: And is it also fair --  
16 - be -- because you did say that -- that you didn't --  
17 you weren't asked to, as part of your mandate, review Mr.  
18 Colton's report from the business case that Mr. Colton  
19 made.

20 That was part of your testimony, sir?

21 DR. THOMAS CARTER: That's correct, yes.

22 MR. WILLIAM GANGE: And -- and would it  
23 be fair to say, sir, that in fact that would be beyond  
24 your expertise, analyzing a business case?

25 DR. THOMAS CARTER: Oh, yes, that would

1 be correct, yeah.

2 MR. WILLIAM GANGE: Yes. So following on  
3 that, sir, it's also fair for me to say that you've never  
4 conducted a review of low-income affordability assistance  
5 that is implemented by a utility.

6 Is that fair?

7 DR. THOMAS CARTER: That would be  
8 correct, yes, yeah.

9 MR. WILLIAM GANGE: And also, sir, you  
10 saw that -- that Mr. Colton had made reference to various  
11 studies on low-income affordability assistance programs  
12 that he has reviewed or that he has designed or that he  
13 has implemented.

14 That's not your area of expertise, is it,  
15 sir?

16 DR. THOMAS CARTER: That's correct, yes.

17 MR. WILLIAM GANGE: Now, I'm -- I'm not  
18 sure, but -- but I believe, sir, that you had Mr.  
19 Colton's report before you wrote your testimony, before  
20 you finalized your testimony?

21 DR. THOMAS CARTER: I think that would be  
22 the case, yes. Yeah.

23 MR. WILLIAM GANGE: And -- and have you  
24 read it prior to today?

25 DR. THOMAS CARTER: I've read parts of

1 it, yes.

2 MR. WILLIAM GANGE: But not cover to  
3 cover?

4 DR. THOMAS CARTER: No.

5 MR. WILLIAM GANGE: Okay. Mr. Colton  
6 makes the point that he has designed low-income home  
7 energy affordability programs for utilities, that he has  
8 helped implement low-income home energy affordability  
9 programs for utilities, and that he has helped evaluate  
10 low-income home energy affordability programs for  
11 utilities.

12 Are you aware that -- that that's part of  
13 his -- tha -- that's part of the package that he comes to  
14 this Board with?

15 DR. THOMAS CARTER: I'm aware of that,  
16 yes. Yeah.

17 MR. WILLIAM GANGE: And although you have  
18 a lot of baggage, and -- and it's -- and it's very  
19 impressive, in that CV, the books in that baggage would  
20 not include those areas.

21 That's fair, sir?

22 DR. THOMAS CARTER: That's correct, yes.

23 MR. WILLIAM GANGE: And, in particular,  
24 sir, it -- it seems obvious to me that you've never  
25 evaluated a program to see how well it benefits the

1 company itself?

2 DR. THOMAS CARTER: Not an energy  
3 program, no.

4 MR. WILLIAM GANGE: Yes.

5 DR. THOMAS CARTER: Yeah.

6 MR. WILLIAM GANGE: And that's what I'm  
7 referring to, sir.

8 DR. THOMAS CARTER: Yeah. Yeah.

9

10 (BRIEF PAUSE)

11

12 MR. WILLIAM GANGE: And Mr. Colton  
13 indicated -- and if you look at -- at Exhibit RCM/TREE  
14 number 13, Professor Carter, page 1. Mr. Colton --

15 DR. THOMAS CARTER: Is this --

16 MR. WILLIAM GANGE: Yes, that's what I'm  
17 referring to.

18 DR. THOMAS CARTER: Yeah, okay. Yeah.

19 MR. WILLIAM GANGE: Thank you, sir. And  
20 this is page 102 of Mr. Colton's report that was  
21 introduced before this Board as RCM/TREE Exhibit number  
22 5. Mr. Colton makes recommendations and concludes that  
23 he would recommend a low-income affordability program  
24 that would have a rate affordability component.

25 DR. THOMAS CARTER: M-hm.

1 MR. WILLIAM GANGE: Do you see that, sir?

2 DR. THOMAS CARTER: I do.

3 MR. WILLIAM GANGE: And -- and given  
4 everything else that you've said to me today so far in  
5 this questioning, it's fair to say -- to conclude that  
6 you've never studied how a rate affordability pro --  
7 component would -- would fit into a utility's low-income  
8 affordability program?

9 DR. THOMAS CARTER: I have not studied  
10 them as -- as to how they would fit into the utility's --

11 MR. WILLIAM GANGE: Yes.

12 DR. THOMAS CARTER: -- business operation  
13 and plans.

14 MR. WILLIAM GANGE: Yes.

15 DR. THOMAS CARTER: I've looked at them  
16 from the perspective of what they can do from a broader  
17 policy alleviation point of view.

18 MR. WILLIAM GANGE: Yes. And -- and, in  
19 fact, sir, it's fair to say that -- that your evidence --  
20 you're coming in and you're giving testimony on behalf of  
21 CAC/MSOS in terms of the broad picture of poverty  
22 alleviation in society in general?

23 DR. THOMAS CARTER: That is correct, yes.

24 MR. WILLIAM GANGE: And you understand,  
25 sir, that in this hearing we're -- we don't have the

1 power to talk about or to alleviate poverty situation in  
2 general.

3                   You understand that, sir?

4                   DR. THOMAS CARTER: I wasn't aware of  
5 that, but if you say that's the case, then I'll agree,  
6 yes.

7                   MR. WILLIAM GANGE: Well, for instance,  
8 sir, you're aware that the -- that the -- that this  
9 hearing is dealing with rates --

10                  DR. THOMAS CARTER: Yes.

11                  MR. WILLIAM GANGE: -- for Manitoba  
12 Hydro?

13                  DR. THOMAS CARTER: I'm aware of that,  
14 yes.

15                  MR. WILLIAM GANGE: And -- and,  
16 therefore, sir, it -- it only follows that -- that the  
17 rates that are being considered by Manitoba Hydro -- or --  
18 - or by the Public Utilities Board, that's not something  
19 that's going to result in a -- in a program to take away  
20 poverty in the Province of Manitoba.

21                  That only makes sense, doesn't it?

22                  DR. THOMAS CARTER: I suspect that's the  
23 case, yes.

24                  MR. WILLIAM GANGE: Yes, thank you. And  
25 in -- and in fact, sir, Mr. Colton goes on and he says



1 that he has an -- in his recommendations, an arrearage-  
2 management component.

3 DR. THOMAS CARTER: M-hm.

4 MR. WILLIAM GANGE: That's not something  
5 that you've ever studied for utilities.

6 Isn't that the case?

7 DR. THOMAS CARTER: Not for utilities. I  
8 have for housing organizations, yeah, yeah.

9 MR. WILLIAM GANGE: Yes. No, but -- but  
10 what I'm talking about --

11 DR. THOMAS CARTER: Yeah.

12 MR. WILLIAM GANGE: -- is a regulated  
13 hearing -- or, pardon me, a regulated utility --

14 DR. THOMAS CARTER: Yeah.

15 MR. WILLIAM GANGE: -- that must seek  
16 permission from a government regulator such as the Public  
17 Utilities Board.

18 DR. THOMAS CARTER: Yeah, you're correct  
19 in that, yes.

20 MR. WILLIAM GANGE: And you'd agree with  
21 me, sir, that because of the -- the regulatory component  
22 of this con -- of -- of this whole process, the -- the  
23 arrears and how they would be managed by Manitoba Hydro  
24 is probably going to be significantly different than in  
25 an unregulated fashion with housing.

1 DR. THOMAS CARTER: I suspect that would  
2 be the case, the arrears management that I haven't been -  
3 - I have been involved with in a housing perspective has  
4 been with social and non-profit housing, where there are  
5 certain regulations that organizations that manage social  
6 and non-profit housing have to follow.

7 MR. WILLIAM GANGE: But they don't have  
8 to come before a public utilities board in -- with  
9 respect to those regulations, do they, sir? Those  
10 regulations are set by the government, and then they're  
11 enforced by the government. They're not enforced by a  
12 regulator such as the Public Utilities Board.

13 DR. THOMAS CARTER: I suspect that's  
14 true, yes.

15 MR. WILLIAM GANGE: Yes.

16 DR. THOMAS CARTER: Yeah.

17 MR. ROBERT MAYER: But, Mr. Gange, when  
18 it comes to -- comes to housing, and not just social  
19 housing, last I heard we still have rent regulation in  
20 Manitoba, and that, in fact, in some cases, a landlord  
21 seeking something more than, this year, 1.5 percent  
22 actually has to go to a -- to a hearing before the  
23 residential tenancies, whatever board they call that.

24 MR. WILLIAM GANGE: Yes. Yes, I agree  
25 with that, sir.

1                   MR. BYRON WILLIAMS:    In fairness to Mr.  
2 Gange, which I hate -- I hate to be fair --

3                   MR. WILLIAM GANGE:    You have that on the  
4 record.

5                   MR. BYRON WILLIAMS:    In -- in the --

6                   MR. WILLIAM GANGE:    That's the point I  
7 need to have on the record.

8                   MR. BYRON WILLIAMS:    In the context of  
9 social housing, it -- I -- I -- those rents would not go  
10 before the Rent Regulation Board. So that'll be the one  
11 (1) intervention on behalf of Mr. Gange I'll make but  
12 that -- that would be the only one.

13

14 CONTINUED BY MR. WILLIAM GANGE:

15                   MR. WILLIAM GANGE:    Thank you. And --  
16 and, Professor Carter, there's also -- Mr. Colton states  
17 that -- that he has made recommendations with respect to  
18 a crisis-intervention component.

19                   DR. THOMAS CARTER:    Yeah.

20                   MR. WILLIAM GANGE:    Again, that's not  
21 something you have any -- any experience with?

22                   DR. THOMAS CARTER:    Not from a utility  
23 perspective, no.

24                   MR. WILLIAM GANGE:    Thank you. Sir, I'm  
25 -- I'm not sure if you're aware of this, that -- that

1 there are different classes of customers that Manitoba  
2 Hydro serves that are -- that are dealt with in this  
3 regulatory proceeding? Are you familiar with that?

4 DR. THOMAS CARTER: Only in a very  
5 general sense, yeah.

6 MR. WILLIAM GANGE: Yes. So that there  
7 is a residential class --

8 DR. THOMAS CARTER: Yeah.

9 MR. WILLIAM GANGE: -- there's a class  
10 for the City of Winnipeg for street lighting.

11 DR. THOMAS CARTER: Oh, yes, yeah, I'm  
12 aware of that.

13 MR. WILLIAM GANGE: Yes.

14 DR. THOMAS CARTER: Yeah.

15 MR. WILLIAM GANGE: Now, are you aware,  
16 sir, that no residential customer pays the full share of  
17 the embedded costs of the produc -- of -- of the cost of  
18 production of electricity in the Province of Manitoba?

19 DR. THOMAS CARTER: I have read that,  
20 yes.

21 MR. WILLIAM GANGE: And are you aware,  
22 sir, that -- that every class in the -- in -- in the  
23 Province of Manitoba is subsidized by virtue of the rates  
24 that they pay?

25 DR. THOMAS CARTER: I wasn't aware that

1 every class fell in that category, no.

2 MR. WILLIAM GANGE: Okay. So -- so  
3 you're not aware that, because of the profits that are  
4 made from the export of electricity, nobody in Manitoba,  
5 whether they be a mega-customer that's represented by the  
6 Manitoba Industrial Power Users Group, to small  
7 businesses, to medium-sized businesses, and residential  
8 people, nobody pays what it costs Hydro to make  
9 electricity?

10 DR. THOMAS CARTER: Actually, I was aware  
11 of that, so maybe my answer to the previous question was  
12 -- was wrong, but, yes, I was aware that profits from  
13 exports are used to subsidize domestic rates.

14 MR. WILLIAM GANGE: And -- and are you  
15 aware, sir, that -- that one (1) of the driving forces  
16 for Manitoba Hydro, with respect to energy conservation  
17 for the classes inside Manitoba, is the theoretical  
18 perspective that the more that you save with respect to  
19 your domestic customers, the more you can export out of  
20 the province and hopefully get a very significant return.

21 Are you aware of that, sir?

22 DR. THOMAS CARTER: I was, yes. Yeah.

23 MR. WILLIAM GANGE: Okay. And would you  
24 agree with me, sir, that in -- in theory, lower  
25 electrical costs are going to promote consumption, and

1 higher costs, in theory, ought to lead people to have an  
2 economic incentive to conserve energy?

3 Would you agree with that?

4 DR. THOMAS CARTER: In theory, yes.

5 MR. WILLIAM GANGE: Yes.

6 DR. THOMAS CARTER: Only in theory.

7 MR. WILLIAM GANGE: Yes. And -- and  
8 given the -- the fact that -- that we all receive a  
9 subsidy, is it your position that -- that more -- more of  
10 the subsidy should go to the highest consumers of  
11 electricity, or should the subsidy, in -- in your view,  
12 be provided to those that need it most?

13 DR. THOMAS CARTER: If it was my choice,  
14 the subsidy would go to those that need it most.

15 MR. WILLIAM GANGE: Thank you.

16 MR. BYRON WILLIAMS: Mr. Gange -- and if  
17 you keep down this -- this line, it may be moving outside  
18 the ambit of Mr. -- Professor Carter's level of  
19 expertise, and that is focussed on the particular  
20 programs in the context of poverty alleviation. But the  
21 question -- it's just a shot across the bow, not an  
22 objection.

23 MR. WILLIAM GANGE: Thank you.

24

25 CONTINUED BY MR. WILLIAM GANGE:

1 MR. WILLIAM GANGE: Mr. -- Professor  
2 Carter, I need to know a little bit about your -- your  
3 knowledge in terms of coming before this Board, given  
4 that it is a regulatory -- a regulator and that this  
5 Board applies basic regulatory principles to the setting  
6 of rates, be -- because these questions may be totally  
7 unfair. And -- and so I'll ask you the question, and if  
8 you don't know anything about it, I won't ask a follow  
9 up.

10 DR. THOMAS CARTER: Okay.

11 MR. WILLIAM GANGE: But -- because I --  
12 because I don't -- I need to be fair to you on -- on that  
13 point.

14 Do you understand the regulatory principle  
15 of least cost service?

16 DR. THOMAS CARTER: No, not entirely.  
17 No.

18 MR. WILLIAM GANGE: Okay. Do you  
19 understand the regulatory principle of avoided costs?

20 DR. THOMAS CARTER: No.

21 MR. WILLIAM GANGE: Do you understand the  
22 regulatory principle of rate averaging?

23 DR. THOMAS CARTER: I would say, no.

24 MR. WILLIAM GANGE: Okay. And -- and  
25 you've already stated to me, sir, that -- that you've not

1 studied Mr. Colton's business case for the  
2 recommendations that he makes to the Board.

3 DR. THOMAS CARTER: That's correct, yes.

4 MR. WILLIAM GANGE: And I believe that  
5 you've already stated that you've never studied an issue  
6 such as a business case before a regulatory body for a  
7 utility.

8 Am I -- am I correct in that?

9 DR. THOMAS CARTER: For a utility, that's  
10 correct, yes. Yeah.

11 MR. ROBERT MAYER: Mr. Gange, we have  
12 your point.

13 MR. WILLIAM GANGE: Thank you. That --  
14 that was my last question on that point, Mr. Mayer,  
15 prescient as I -- I may have been. Thank you.

16

17 (BRIEF PAUSE)

18

19 CONTINUED BY MR. WILLIAM GANGE:

20 MR. WILLIAM GANGE: Mr. Carter, at -- at  
21 your answer to the Information Requests --

22 DR. THOMAS CARTER: M-hm.

23 MR. WILLIAM GANGE: -- Manitoba Hydro  
24 Number 7 -- do you -- do you need time to -- to refresh  
25 your memory on that one, sir?



1 MR. BYRON WILLIAMS: Number 7, Mr. Gange

2 --

3 MR. WILLIAM GANGE: Yes.

4 MR. BYRON WILLIAMS: -- of Manitoba

5 Hydro?

6 MR. WILLIAM GANGE: Yes.

7 MH/CAC/MSOS (Carter)-7.

8 MR. BYRON WILLIAMS: Thank you.

9

10 (BRIEF PAUSE)

11

12 DR. THOMAS CARTER: Yeah, okay.

13

14 CONTINUED BY MR. WILLIAM GANGE:

15 MR. WILLIAM GANGE: Do you recall that --  
16 that answer, sir?

17 DR. THOMAS CARTER: Yeah, I do. Yeah.

18 MR. WILLIAM GANGE: There's -- there's  
19 two (2) parts that start in the beginning --

20 DR. THOMAS CARTER: M-hm.

21 MR. WILLIAM GANGE: -- that I -- that I  
22 need to ask you some questions.

23 DR. THOMAS CARTER: Yeah.

24 MR. WILLIAM GANGE: Your point is, first:

25 "I'm not of the opinion that utilities

1                   should be vehicles for poverty  
2                   alleviation programs."

3                   You make that statement?

4                   DR. THOMAS CARTER:    Yeah.

5                   MR. WILLIAM GANGE:    And then you end it -  
6 - you conclude it by saying:

7                   "Given the above statements, I am not  
8                   in favour..."

9                   This is right at the end, sir --

10                  DR. THOMAS CARTER:    Oh, yeah.

11                  MR. WILLIAM GANGE:    -- your last  
12 paragraph.

13                         "Given the above statements, I am not  
14                         in favour of utilities using taxpayers'  
15                         or ratepayers' dollars for these  
16                         purposes. Taxpayer dollars are  
17                         necessary but should be channelled  
18                         through other agencies."

19                  DR. THOMAS CARTER:    That's correct, yeah.

20                  MR. WILLIAM GANGE:    And "these purposes,"  
21 that -- that phrase, I took it to mean that -- that the  
22 matters that you raised throughout this answer, but, in  
23 particular, the -- the penultimate paragraph, which  
24 referred to energy efficiency, that -- that poverty  
25 alleviation must be, of necessity, a long-term

1 initiative, and basic programs, like Social Assistance,  
2 have much broader penetration.

3 DR. THOMAS CARTER: Yeah.

4 MR. WILLIAM GANGE: Those -- that -- that  
5 those were the purposes to which you were referring.

6 DR. THOMAS CARTER: That's correct, yes.

7 MR. WILLIAM GANGE: If I can -- if I can  
8 sum up. You -- is this fair? You were saying you're not  
9 in favour of utilities being used for social purposes.  
10 Is that fair?

11 DR. THOMAS CARTER: Not entirely. I'm --  
12 I'm not in favour, as I've stated here, of utilities  
13 being used for poverty alleviation programs. But as I  
14 said in my earlier discussion, you know, I certainly  
15 don't have any problems with energy efficiency programs  
16 that are introduced by utilities. I think they're a  
17 necessary part of, you know, addressing the -- the issue  
18 of energy savings, energy reduction, greenhouse gas  
19 emissions, a whole host of things.

20 But what I'm arguing here is simply that  
21 utilities are not the best approach to a broad strategy  
22 of poverty alleviation, okay; that I think that poverty  
23 alleviation comes best from some of the other agencies or  
24 departments of government, particularly say -- say Family  
25 Services, in the case of Manitoba. And I think that if

1 they're going to be effective poverty alleviation  
2 programs, they have to be integrated as part of a broad  
3 strategy that includes, you know, money for education,  
4 money for skills development, programs to get people back  
5 in the workforce.

6 So these are integrated strategies that I  
7 don't think energy utilities are best placed to deliver,  
8 okay?

9 Does that answer your question?

10 MR. WILLIAM GANGE: It -- it leads to a  
11 number of other questions, sir. But -- but your sentence  
12 -- the first sentence of the penultimate paragraph is you  
13 -- you make reference to L-I-E-E-P-S --

14 DR. THOMAS CARTER: Yeah.

15 MR. WILLIAM GANGE: -- and H-E-E-P-S?

16 DR. THOMAS CARTER: Yeah.

17 MR. WILLIAM GANGE: Could you define  
18 those.

19 DR. THOMAS CARTER: This is in the --

20 MR. WILLIAM GANGE: The -- the  
21 penultimate paragraph on the second page, sir.

22 DR. THOMAS CARTER: Page, okay. LIEEPs  
23 are low income energy efficiency programs, and HEEPs, as  
24 I recall, are home energy efficient programs.

25 My argument here was that we shouldn't see

1 them as -- as poverty alleviation vehicles. I'm not  
2 suggesting that they don't put money in people's pockets,  
3 because they do. I -- I noticed it in some of the  
4 literature. They talked about savings of three hundred  
5 (300) to five hundred dollars (\$500) a year, at least in  
6 the first year.

7                   But let's not sell them as poverty  
8 alleviation programs. I'm not against the form of  
9 assistance. But poverty alleviation programs, to me,  
10 have to be longer term. They have to provide much deeper  
11 levels of assistance in this, and, as I said, they have  
12 to be integrated with other program vehicles.

13                   So, you know, I'm not arguing that these  
14 programs make a contribution, but don't sell them as  
15 poverty alleviation programs.

16                   MR. WILLIAM GANGE: I see.

17                   DR. THOMAS CARTER: Yeah.

18                   MR. WILLIAM GANGE: Now -- but from your  
19 direct testimony, what I understood you to say is that  
20 the integrated approach that is currently in place fails  
21 to a very considerable degree?

22                   DR. THOMAS CARTER: Yes, that is correct,  
23 because the levels of assistance under Social Assistance  
24 -- I guess you could argue that minimum wage, things like  
25 this -- just don't ensure that households have a level of

1 income that will provide them with a good quality of life  
2 and opportunities to improve their -- their potential in  
3 -- in society.

4 So they're not sufficient, but I would go  
5 one (1) step further to argue that energy poverty  
6 alleviation programs aren't sufficient either. Yeah.

7 MR. WILLIAM GANGE: Sure. But -- but you  
8 understand, sir -- let me go back to that point -- that  
9 all that we're dealing with here in this hearing before  
10 this regulator --

11 DR. THOMAS CARTER: M-hm.

12 MR. WILLIAM GANGE: -- is energy?

13 DR. THOMAS CARTER: I agree, yes. Yeah.

14 MR. WILLIAM GANGE: Yes. And -- and so -  
15 - so that your comment, and -- and as I see the  
16 foundation of your criticism of -- of the low income  
17 energy affordability program, such as something suggested  
18 by Mr. Colton, is based on a theoretical approach of  
19 integration --

20 DR. THOMAS CARTER: M-hm.

21 MR. WILLIAM GANGE: -- of a poverty  
22 strategy.

23 DR. THOMAS CARTER: M-hm.

24 MR. WILLIAM GANGE: Correct, sir?

25 DR. THOMAS CARTER: Yeah, that would be

1 correct. I mean, if you -- if you look at poverty as a  
2 big circle, okay?

3 MR. WILLIAM GANGE: Yes.

4 DR. THOMAS CARTER: There's a whole lot  
5 of packages in the circle that contribute to poverty,  
6 okay?

7 MR. WILLIAM GANGE: Yes.

8 DR. THOMAS CARTER: One (1) is the  
9 expenditure on energy. There's the expenditure on food.  
10 There's the expenditure on housing. But there's  
11 insufficient income to cover all of those particular  
12 packages. But if you just take the little circle that's  
13 energy-poverty and you address that, you're not  
14 necessarily addressing the big circle, because it's not  
15 necessarily integrated with other programs, it's not  
16 sufficient money, participation rates are very low.

17 So that's, you know, that's the crux of  
18 some of my arguments. It's -- give them a dollar, great,  
19 you know, I'm not going to argue against that. I'm just  
20 making the point that it's not the way to address deep,  
21 very deep poverty, on a long-term basis, okay?

22 MR. WILLIAM GANGE: Let me distill that  
23 answer, sir, because --

24 DR. THOMAS CARTER: M-hm.

25 MR. WILLIAM GANGE: -- I think that it's

1 very important.

2 DR. THOMAS CARTER: M-hm.

3 MR. WILLIAM GANGE: You're not arguing  
4 what you just said --

5 DR. THOMAS CARTER: M-hm.

6 MR. WILLIAM GANGE: -- with the concept  
7 of the low income energy affordability concept; it's just  
8 that from your perspective it doesn't answer --

9 DR. THOMAS CARTER: That's -- yeah.

10 MR. WILLIAM GANGE: -- the big picture?

11 DR. THOMAS CARTER: I was asked to look  
12 at energy, poverty, and energy programs, within the  
13 broader context of social policy and poverty alleviation,  
14 and that's what I did. And my argument is simply this,  
15 that, you know, it's -- it's like I said, it's a bit of a  
16 low-hanging fruit; you can grab it and you can use it,  
17 but it's not going to be a poverty alleviation strategy  
18 in itself.

19 MR. WILLIAM GANGE: Sure.

20 DR. THOMAS CARTER: Okay.

21 MR. WILLIAM GANGE: And you've been at  
22 this, at -- at this task for an awfully long time,  
23 haven't you, sir?

24 DR. THOMAS CARTER: Yes, about forty (40)  
25 years.



1 MR. WILLIAM GANGE: Yes, and -- and --

2 DR. THOMAS CARTER: Very little success I  
3 might add.

4 MR. WILLIAM GANGE: Well -- well, no, but  
5 isn't that the point? Tragically --

6 DR. THOMAS CARTER: Yeah.

7 MR. WILLIAM GANGE: -- our society has  
8 not got better at the big circle --

9 DR. THOMAS CARTER: M-hm.

10 MR. WILLIAM GANGE: -- of poverty?

11 DR. THOMAS CARTER: Yeah. I mean there's  
12 been -- there's been some positive things, okay, and I  
13 mentioned some of them this morning.

14 MR. WILLIAM GANGE: Yes.

15 DR. THOMAS CARTER: Despite the depth of  
16 poverty in Manitoba, I think the province is doing some  
17 things right --

18 MR. WILLIAM GANGE: Yes.

19 DR. THOMAS CARTER: -- because it's  
20 integrating Social Assistance with back to work  
21 education, and so on and so forth, okay? But I guess my  
22 argument is that, you know, focussing on energy, poverty,  
23 and energy assistance as a poverty alleviation program  
24 isn't going to cut it as far as the broader social policy  
25 is concerned.

1 MR. WILLIAM GANGE: Yeah. We've got that

2 --

3 DR. THOMAS CARTER: That's what I came  
4 here to express.

5 MR. WILLIAM GANGE: Sure. Sir, just a  
6 couple of questions on -- on your -- your updates, which  
7 was --

8 MR. BYRON WILLIAMS: Mr. Gange --

9 MR. WILLIAM GANGE: -- your Exhibit  
10 Number 32.

11 MR. BYRON WILLIAMS: Thirty-two, yes. So  
12 just one (1) second and I'll get it for you --

13 MR. WILLIAM GANGE: Yes, thank you.

14 MR. BYRON WILLIAMS: -- Professor Carter.

15

16 CONTINUED BY MR. WILLIAM GANGE:

17 MR. WILLIAM GANGE: It's a little bit  
18 difficult, because we're not really addressing all of the  
19 same time frames --

20 DR. THOMAS CARTER: No, that's --

21 MR. WILLIAM GANGE: -- in these two (2)  
22 paragraphs.

23 DR. THOMAS CARTER: That's very true,  
24 yeah.

25 MR. WILLIAM GANGE: But -- but what --

1 what your evidence update has established, is that in  
2 fact, from 2007 to 2010, the number of participants on --  
3 on Social Assistance has gone up by almost three thousand  
4 (3,000) people.

5 DR. THOMAS CARTER: That's correct, yeah.

6 MR. WILLIAM GANGE: So that an -- an  
7 increase during that time of, by my calculation, just  
8 over 5 percent.

9 DR. THOMAS CARTER: That would be  
10 correct, yes.

11 MR. WILLIAM GANGE: On that -- on -- on  
12 that framework in isolation, we're not getting better,  
13 we're getting worse.

14 DR. THOMAS CARTER: No, that was the  
15 point I made, yes.

16 MR. WILLIAM GANGE: Yes. And then you  
17 also mention that -- that the people living in poverty in  
18 Manitoba, in a slightly different time frame --

19 DR. THOMAS CARTER: Yeah.

20 MR. WILLIAM GANGE: -- and -- and in a  
21 time frame when the economic prospects of certainly North  
22 America --

23 DR. THOMAS CARTER: Yes.

24 MR. WILLIAM GANGE: -- and perhaps the  
25 whole northern hemisphere --

1 DR. THOMAS CARTER: Yeah.

2 MR. WILLIAM GANGE: -- were increasing  
3 substantially.

4 DR. THOMAS CARTER: That's correct, yes.

5 MR. WILLIAM GANGE: But I -- but -- but  
6 I've got to tell you, sir, in a two (2) year period --

7 DR. THOMAS CARTER: M-hm.

8 MR. WILLIAM GANGE: -- the -- the  
9 statistics that you're relying upon are suggesting that  
10 there was a decrease of fifty-eight thousand (58,000)  
11 people living in poverty.

12 DR. THOMAS CARTER: That's what the  
13 statistics indicate.

14 MR. WILLIAM GANGE: A decrease of 28  
15 percent?

16 DR. THOMAS CARTER: In -- over a ten (10)  
17 year period, yeah.

18 MR. WILLIAM GANGE: No. You say --

19 DR. THOMAS CARTER: Sorry?

20 MR. WILLIAM GANGE: -- that on -- on the  
21 people living in poverty in the province in 2006, in the  
22 first sentence of the second paragraph --

23 DR. THOMAS CARTER: Yeah.

24 MR. WILLIAM GANGE: -- was two hundred  
25 and seven thousand (207,000).

1 DR. THOMAS CARTER: Yeah.

2 MR. WILLIAM GANGE: And you then go on to  
3 say that, in 2008 -- so two (2) years later -- it had  
4 dropped to a hundred and forty-nine thousand (149,000).

5 DR. THOMAS CARTER: Yeah, that's before  
6 tax. Yeah.

7 MR. WILLIAM GANGE: Yes. So that my  
8 calculation is that, in a two (2) year period, these  
9 statistics are suggesting that there was a 28 percent  
10 drop in the level of poverty --

11 DR. THOMAS CARTER: Yeah.

12 MR. WILLIAM GANGE: -- in -- in the  
13 Province of Manitoba.

14 DR. THOMAS CARTER: Yeah. One (1) thing  
15 you have to bear in mind here is that the 2006 figure is  
16 based on the Statistics Canada data. The 2008 figure is  
17 based on a -- a special survey that is done by Statistics  
18 Canada. But I noticed that I thought that was a very  
19 significant drop, yes. But I -- I'm not --

20 MR. WILLIAM GANGE: Is it --

21 DR. THOMAS CARTER: -- I'm not en -- I'm  
22 not entirely surprised, nor apparently is Stats Canada,  
23 because the 2006-2008 period was a fairly, shall we say--

24 MR. WILLIAM GANGE: Buoyant.

25 DR. THOMAS CARTER: -- buoyant economic

1 times.

2 MR. WILLIAM GANGE: Yes.

3 DR. THOMAS CARTER: And the argument is  
4 that it took an awful lot of peri -- an awful lot of  
5 people out of poverty over that two (2) year period. A  
6 lot of them, I suspect, might have been the working poor.

7 But it's a big figure. It had light bulbs  
8 going off in my mind, but that's the figure. But they're  
9 from two (2) different --

10 MR. WILLIAM GANGE: Yes.

11 DR. THOMAS CARTER: -- surveys.

12 MR. WILLIAM GANGE: I -- okay. So --

13 DR. THOMAS CARTER: Yeah.

14 MR. WILLIAM GANGE: So there may be a  
15 different matrix used --

16 DR. THOMAS CARTER: Yeah.

17 MR. WILLIAM GANGE: -- in the  
18 calculation?

19 DR. THOMAS CARTER: Well, for one (1)  
20 thing, the Statistics Canada 2006 is based on the census,  
21 which is a more, shall we say, comprehensive survey --

22 MR. WILLIAM GANGE: Yes.

23 DR. THOMAS CARTER: -- whereas the 2008  
24 figure, that's a sample survey. And -- I mean, I can --  
25 I can present to you the -- you know, the statistical

1 significance and the background to these two (2)  
2 particular surveys.

3 But I don't disagree with you; it's a big  
4 drop. And as I said, light bulbs went off in my mind  
5 when I looked at that, but two (2) different surveys.  
6 But also buoyant economic times, because if you look at  
7 job creation over that particular period, it was pretty  
8 strong, and it was pretty strong in Manitoba as well, so.

9 MR. WILLIAM GANGE: And -- and you made  
10 the point in your direct testimony that this is 2008.

11 DR. THOMAS CARTER: Yes, it is.

12 MR. WILLIAM GANGE: And now in 2011 --  
13 since 2008 the world economy --

14 DR. THOMAS CARTER: Oh, yeah.

15 MR. WILLIAM GANGE: -- has had a  
16 disastrous --

17 DR. THOMAS CARTER: Yeah.

18 MR. WILLIAM GANGE: -- slump.

19 DR. THOMAS CARTER: Yeah.

20 MR. WILLIAM GANGE: And -- and although -  
21 - you made the point that although Manitoba has not been  
22 effected as badly --

23 DR. THOMAS CARTER: Yeah.

24 MR. WILLIAM GANGE: -- as some other  
25 places, it has not been a buoyant time during the last

1 three (3) years.

2 DR. THOMAS CARTER: Not as -- not as  
3 buoyant. And I think -- I'm eagerly awaiting the 2009  
4 data, which is supposed to come out this month. It would  
5 not surprise me to see an increase in those figures,  
6 okay?

7 The trouble is we're always working with  
8 data that's about three (3) years out of date. So from  
9 2008 to 2011, if we could fast-forward, it wouldn't  
10 surprise me to see an increase some.

11 MR. WILLIAM GANGE: Okay. Thank --

12 MR. ROBERT MAYER: Professor Carter, your  
13 -- your premise was, as read-in by Mr. Gange, that you're  
14 not in favour of using Hydro as a welfare agency to  
15 attack -- to attack poverty in general.

16 DR. THOMAS CARTER: That's correct, yeah.

17 MR. ROBERT MAYER: But if I understand  
18 Mr. Colton's proposal correctly, what he is suggesting is  
19 that a low-income -- I'll call it a bill assistance  
20 program, can save the working poor generally, I think is  
21 our biggest --

22 DR. THOMAS CARTER: M-hm.

23 MR. ROBERT MAYER: -- potential. Because  
24 when people are actually on assistance, they receive --  
25 at least according to one (1) exhibit we're not supposed



1 to be looking at, receive some sufficient money to pay  
2 their energy costs.

3           So, Mr. Colton's proposal is subject to a  
4 rather interesting difference in how Hydro costs it and  
5 how Mr. Colton costs it. But, accepting Mr. Colton's  
6 premise for a moment, that he can save people in need  
7 several hundred dollars a year, and he can save the  
8 Utility in net costs several thousand dollars a year.  
9 That is not the kind of program that falls within the  
10 category that you were opposed to.

11           MR. BYRON WILLIAMS: Just --

12           MR. ROBERT MAYER: I don't --

13           MR. BYRON WILLIAMS: -- Mr. Vice-Chair,  
14 just before Professor Carter answers -- and I welcome him  
15 to answer.

16           Just in terms of the premise of your  
17 question, in terms of that prof -- that Mr. Colton was  
18 focussing on the -- the working poor -- just, my reading  
19 of the evidence doesn't suggest that. But I'll -- and  
20 the other premise of your question, unless I've  
21 misunderstood Mr. Colton, he would never say that these  
22 programs can be delivered at a net -- of this magnitude  
23 can be delivered at a net savings.

24           But -- and it's in his appraised report,  
25 and also that's why we're looking at the quantification,

1 sir. So I'm -- I'm certainly prepared to have Professor  
2 Carter respond to your hypothetical -- we're not -- in --  
3 in terms of how you framed it, but that would be not --  
4 not our -- our client's understanding of -- of Mr.  
5 Colton's proposal.

6 MR. ROBERT MAYER: Just before I get back  
7 to you, Mr. Carter.

8 DR. THOMAS CARTER: Yeah.

9 MR. ROBERT MAYER: I specifically  
10 discussed the question of the working poor in my  
11 questions to -- to Mr. Colton, and he confirmed that that  
12 was where you would expect it considering our social  
13 welfare programs in Canada, as opposed to the others.

14 MR. BYRON WILLIAMS: My quibble, Mr.  
15 Vice-Chair -- and then, please, Professor Carter will  
16 answer your hypothetical, is that -- that if you read the  
17 report and the thrust of who Professor Colton was aiming  
18 -- or, Mr. Colton was aiming at, and in -- if -- if you  
19 look at his expectations in terms of participation rates,  
20 those could only have been garnered from Social  
21 Assistance rec -- recipients, and so that's the -- that  
22 level of participation.

23 But I -- certainly, Professor Carter,  
24 please feel welcome to answer the hypothetical.

25 DR. THOMAS CARTER: I only saw this just

1 before lunch and I haven't seen the full report, but just  
2 let me make a couple of comments.

3           First of all, I -- before I would really  
4 offer an opinion I would like to know how much they're  
5 going to save each year. But I would also like to know  
6 what the participation rate is, okay, because that's very  
7 important. Is there a sense of horizontal equity here?  
8 Or do we have a situation where some people who perhaps  
9 are eligible under the guidelines but not getting the  
10 assistance, are helping pay the cost for -- for other  
11 people?

12           So perhaps it does provide some assistance  
13 and that's good. But again, I would argue, let's look at  
14 the participation rates, but let's look at how much it  
15 really alleviates poverty, and let's look at how it's  
16 integrated with other programs that are trying to get  
17 people off poverty.

18           I mean, assistance to people in poverty is  
19 good, but the long-term objective is to get them out of  
20 poverty.

21           MR. ROBERT MAYER: Professor Carter, I  
22 don't disagree with anything you have said, but -- and I  
23 won't use Biblical quotations, because I don't believe  
24 them -- so -- but un -- but if I understand Mr. Colton's  
25 program, whereby, again depending upon the costs, but if

1 we have a program that saves the Utility money --

2 DR. THOMAS CARTER: M-hm.

3 MR. ROBERT MAYER: -- in the end result  
4 it -- it's what they -- what he calls the net-back, if  
5 the -- if the Utility's net-back is positive, and if  
6 there are real savings to individuals who need the help,  
7 how could we possibly oppose that proble -- that -- that  
8 kind of a program?

9 DR. THOMAS CARTER: Well, I mean I'm not  
10 saying you necessarily have to oppose it, but I would  
11 like to see the participation rates; like, are we really  
12 getting to the people who really need it. You know,  
13 that's the -- that's the issue here.

14 And I think the issue, as I said, is also  
15 the level of assistance and the integration. Like, I  
16 look at what I have before me here; and what's it going  
17 to provide: a rate affordability component, an arrears  
18 management component, a crisis intervention component, an  
19 energy efficiency component.

20 One could argue that that's an integrated  
21 strategy within the energy sector, but you can't argue  
22 that that's an integrated strategy within a poverty allev  
23 -- alleviation strategy, okay?

24 MR. ROBERT MAYER: And -- and -- and Mr.  
25 Colton doesn't argue that.

1 DR. THOMAS CARTER: No.

2 MR. ROBERT MAYER: He -- it is a -- it is  
3 some -- you can do a little bit for some people who need  
4 it. You know -- he doesn't suggest he's doing it for  
5 all. He did address the issues of -- of involvement and  
6 how do you get the maximum amount involved. And he does  
7 seek the assistance of the Social Welfare and other  
8 agencies, because the better -- better communication we  
9 have with them, the more likelihood you're going to have  
10 more people involved in the program.

11 But the bottom line is if you can help  
12 somebody at no particular cost to either the Util -- to  
13 either the Utility or to anybody else -- because I can't  
14 see any way anybody else can be deprived by the fact that  
15 this program would be in place. I don't understand how  
16 anybody could, quite frankly, oppose it.

17 DR. THOMAS CARTER: Well, as I said this  
18 morning, I'm not necessarily opposed, but there is a big  
19 "but" here. You're not taking people out of poverty;  
20 you're giving people within poverty a little bit more  
21 money, and I have no argument against that, but this is  
22 not a poverty alleviation strategy. The strategy and the  
23 policy and the principles should be to get people out of  
24 poverty, okay?

25 MR. ROBERT MAYER: You and I agree on

1 what should happen.

2 DR. THOMAS CARTER: Yeah.

3 MR. ROBERT MAYER: And I think we also  
4 now agree on what -- what -- what will -- what may  
5 happen, were this Mr. Colton's program be implemented by  
6 Hydro.

7

8 (BRIEF PAUSE)

9

10 MR. WILLIAM GANGE: Mr. Chair, just let  
11 me look through my notes. I -- I may be very close to  
12 finished.

13

14 (BRIEF PAUSE)

15

16 MR. WILLIAM GANGE: Professor Carter, now  
17 that Mr. Williams is out of the room, I -- I've asked the  
18 questions that I need to ask you. Thank you very much,  
19 sir.

20 DR. THOMAS CARTER: Thank you.

21 THE CHAIRPERSON: Thank you, Mr. Gange.  
22 I believe we're now moving on to Manitoba Hydro. But as  
23 a followup to a question that was asked by the Vice-  
24 Chair, I have one (1) other one for you, Professor Carter  
25 I want to ask before Manitoba Hydro begins their cross.

1                   You've indicated that persons in poverty  
2 may die earlier than the more fortunate.

3

4                   (BRIEF PAUSE)

5

6                   DR. THOMAS CARTER:    Oh, sorry.  Yeah,  
7 they -- they might, but you have to bear in mind that the  
8 rich have sins too, you know?  No, I think that that's --  
9 that's a fair statement, yes.

10                  THE CHAIRPERSON:    You accept that  
11 premise?

12                  DR. THOMAS CARTER:    I would, yes.

13                  THE CHAIRPERSON:    You've also indicated  
14 that persons in poverty may be -- may have more hospital  
15 stays and duration of length of stays than the more  
16 fortunate, as well?

17                  DR. THOMAS CARTER:    That's my  
18 understanding from the literature, yes.

19                  THE CHAIRPERSON:    You have also indicated  
20 that you have paid considerable attention to the, I think  
21 fairly put, significant efforts made in the UK, I believe  
22 the agency's called Ofgem, to address energy poverty?

23                  DR. THOMAS CARTER:    Yes.  Yeah.

24                  THE CHAIRPERSON:    Do you accept, as I  
25 understand from reading some of the Ofgem material, that

1 the energy poor were reported to have had the practice of  
2 turning down their thermostats to save dollars to levels  
3 below those that are safe, and that, as a result -- I'm  
4 talking about the UK now --

5 DR. THOMAS CARTER: Yeah.

6 THE CHAIRPERSON: -- it was reported that  
7 thousands has basically died prematurely as a result of  
8 poor heating?

9 DR. THOMAS CARTER: Yes, I read that, and  
10 there was a specific temperature threshold that was  
11 quoted in that report. I can't remember, but if they  
12 keep the thermostat below a particular level it  
13 exacerbates that problem.

14 THE CHAIRPERSON: I think that that's  
15 fine by me.

16 DR. THOMAS CARTER: Yeah.

17 THE CHAIRPERSON: Ms. Boyd...?

18 MS. MARLA BOYD: Thank you, Mr. Chair.

19

20 CROSS-EXAMINATION BY MS. MARLA BOYD:

21 MS. MARLA BOYD: Good afternoon, Mr. --  
22 Dr. -- Professor Carter, I'm sorry.

23 DR. THOMAS CARTER: Good afternoon.

24 MS. MARLA BOYD: You can be a Dr., you  
25 can be a Mr., you can be --



1 DR. THOMAS CARTER: It doesn't matter.

2 MS. MARLA BOYD: -- whatever you like.

3 DR. THOMAS CARTER: Tom -- Tom will due.

4 MS. MARLA BOYD: Well, I'll try and be a  
5 little more formal than that.

6 I wanted to turn to your review in the  
7 appendix to your evidence, in particular to page 58,  
8 where you note that the Province of Manitoba --

9 MR. BYRON WILLIAMS: Just --

10 MS. MARLA BOYD: Sure.

11 MR. BYRON WILLIAMS: -- if you would, Ms.  
12 Boyd, just allow Professor Carter to get there. Is it --

13 MS. MARLA BOYD: It's page 58 of his --

14 MR. BYRON WILLIAMS: Page 58.

15 MS. MARLA BOYD: -- pre-filed evidence.

16 DR. THOMAS CARTER: Yeah.

17

18 CONTINUED BY MS. MARLA BOYD:

19 MS. MARLA BOYD: And I'm looking almost  
20 to the bottom of the page. You've indicated there in  
21 your program assessment that:

22 "The Province of Manitoba is considered  
23 to have one of the most comprehensive  
24 approaches to addressing energy poverty  
25 in Canada."

1                   Does that comment apply to programs  
2 offered by Manitoba Hydro as well as other entities in  
3 the province?

4                   DR. THOMAS CARTER:   No, that -- that was  
5 a comment that was made specifically about Manitoba  
6 Hydro.  Some of the literature was very positive about  
7 some of the initiatives that Manitoba Hydro had  
8 introduced, particularly some of those initiatives where  
9 you've been working with the community.

10                  And, I mean, I -- I feel there's quite a  
11 few positive points about the programs that Manitoba  
12 Hydro have -- or have, or have had in place.  But, you  
13 know, one (1) of my concerns would be the participation  
14 rates.  And I wasn't asked to do a study of Manitoba  
15 Hydro programs or to do an evaluation, but I have read  
16 and heard that participation rates are pretty low.

17                  MS. MARLA BOYD:   One (1) of the strengths  
18 that you cite in your program reviews, generally, and --  
19 and I take it, it applies to Manitoba as well, is the  
20 partnership approach between the Utility, the province,  
21 the federal government, and the local community  
22 organizations.  Is --

23                  DR. THOMAS CARTER:   Yes.

24                  MS. MARLA BOYD:   -- that correct?

25                  DR. THOMAS CARTER:   Yeah.

1 MS. MARLA BOYD: Your evidence also  
2 suggests that it's of benefit to leverage money from many  
3 sources, correct?

4 DR. THOMAS CARTER: Oh, yes. Yeah. The  
5 more funders at the table, the better, I guess. Yeah.

6 MS. MARLA BOYD: Now, in terms of the  
7 contribution to those efforts that Manitoba Hydro is best  
8 positioned to offer, would you agree that improving  
9 household energy efficiency is an area in which Manitoba  
10 Hydro is well suited to focus on?

11 DR. THOMAS CARTER: I would agree with  
12 that. I think I'd stated that, yes.

13 MS. MARLA BOYD: And would you agree that  
14 a better way to address poverty would to build on basic  
15 programs that are already in place: the Child Tax Credit,  
16 minimum wage, Social Assistance, social housing?

17 DR. THOMAS CARTER: I would agree with  
18 that, yes.

19 MS. MARLA BOYD: And I take it that you  
20 would agree that that's preferable to setting up a  
21 separate bureaucracy at Manitoba Hydro to deal with  
22 poverty?

23 DR. THOMAS CARTER: I would agree with  
24 that, yes.

25 MS. MARLA BOYD: And would it be fair to

1 suggest that that would allow for the more comprehensive  
2 coverage that you've highlighted?

3 DR. THOMAS CARTER: That would be my  
4 opinion, yes. Yeah. Because some of those agencies in  
5 particular, not only do they have a case load of many  
6 people in poverty, but they're more accustomed to dealing  
7 with people who are on the edge, more marginalized  
8 groups.

9 MS. MARLA BOYD: You talked earlier today  
10 about a bits-and-pieces or scattered approach, and would  
11 you suggest that that would be a better way to avoid some  
12 of those scattered approaches, where people might fall  
13 through the cracks?

14 DR. THOMAS CARTER: Yes, I would.

15 MS. MARLA BOYD: And I take it you'd also  
16 agree that that would help to address your concern with  
17 respect to sustainability of a program?

18 DR. THOMAS CARTER: Yes, that's correct.  
19 There's a number of basic benefit programs that have been  
20 in place for many years, and, as I said, they may change  
21 a little, but they're traditional programs that are  
22 accepted as part of society's contribution to  
23 marginalized groups.

24 MS. MARLA BOYD: From your review of low-  
25 income households in Manitoba, are you able to quantify

1 the number that -- of low-income households that are  
2 actually paying both rent and energy costs fully  
3 themselves, without benefit of subsidy or other  
4 assistance?

5 DR. THOMAS CARTER: No. I wish I could  
6 do that, but I -- I really can't. I mean, what you have  
7 to take out of the equation is people in social housing,  
8 people on Social Assistance, but it doesn't necessarily  
9 end there, because there's a number of other, shall we  
10 say, less significant situations where people might be  
11 getting assistance.

12 It's very hard to split out. I mean, you  
13 can do it in a rough sense, but not with any great  
14 accuracy, which is unfortunate.

15 MS. MARLA BOYD: And are you able to give  
16 the Board any sense of the number of low-income  
17 households that would be rental circumstances?

18 DR. THOMAS CARTER: Yes, I can -- I could  
19 do that, yes. Based on the 2006 census, yeah. And I  
20 think I'd -- I think maybe I mentioned those figures this  
21 morning.

22 MS. MARLA BOYD: I'm sorry. Did I miss  
23 it?

24 MR. BYRON WILLIAMS: And just for greater  
25 precision from My Friend, just in terms of low income,

1 just because I -- I want to be clear that we're  
2 responsive, are you talking LICO 100 percent? Are you --  
3 is that --

4 MS. MARLA BOYD: Well, my ideal would be  
5 LICO 125, but if -- if Professor Carter has the numbers  
6 for either, if he could specify what it was, that would  
7 be helpful.

8 MR. BYRON WILLIAMS: And -- and I think  
9 there's references in his evidence that he's --

10 DR. THOMAS CARTER: Yeah.

11 MR. BYRON WILLIAMS: I could probably  
12 locate in a second.

13 DR. THOMAS CARTER: Yeah. What would you  
14 -- just give me your specific question again.

15

16 CONTINUED BY MS. MARLA BOYD:

17 MS. MARLA BOYD: I was interested in the  
18 number of low-income households that are renters.

19 DR. THOMAS CARTER: That are renters. I  
20 could give you those figures. I -- I don't know as I can  
21 put my hands on them --

22 MS. MARLA BOYD: Thank you.

23 DR. THOMAS CARTER: -- right away. Yeah.

24 THE CHAIRPERSON: Do you want to take  
25 that as undertaking?

1                   MR. BYRON WILLIAMS:   Absolutely.  We'll  
2   take, as an undertaking, the percentage of low-income  
3   households that are renters.

4                   MS. MARLA BOYD:    Yes.

5                   MR. BYRON WILLIAMS:   And we may be able  
6   to respond to that within -- at a break.  I -- I think we  
7   can put that together quite quickly.

8                   DR. THOMAS CARTER:   Yeah.

9                   MS. MARLA BOYD:    My focus is on Manitoba  
10  in the question, just so that we're clear.

11                   DR. THOMAS CARTER:   Yeah.

12                   MS. MARLA BOYD:    I take it that's  
13  obvious.

14                   THE CHAIRPERSON:    I think it was the  
15  numbers as well as the percentage, was it not?

16                   MR. BYRON WILLIAMS:   I think we can --  
17  can do both, Mr. Chairman.

18                   DR. THOMAS CARTER:   Yeah.

19                   MR. BYRON WILLIAMS:   And I'm assuming low  
20  income -- we'll make best efforts to -- to be responsive.  
21  It may be at 100 percent of LICO as --

22                   DR. THOMAS CARTER:   Yeah.

23                   MR. BYRON WILLIAMS:   -- opposed to 125.

24                   MS. MARLA BOYD:    If that can be  
25  specified, that's fine.

1 DR. THOMAS CARTER: And also, I should  
2 hasten to add it will be -- have to be based on the 2006  
3 census, yeah.

4 MR. ROBERT MAYER: I have a further  
5 concern.

6 DR. THOMAS CARTER: M-hm.

7 MR. ROBERT MAYER: Would you be able to  
8 further break that down as to how many of those renters  
9 have a utility bill in addition, as opposed to having the  
10 electricity bill included in their rent? Because that --

11 DR. THOMAS CARTER: Yeah.

12 MR. ROBERT MAYER: -- that's an issue as  
13 to who gets --

14 DR. THOMAS CARTER: Yeah.

15 MR. ROBERT MAYER: -- the benefit.

16 DR. THOMAS CARTER: Yeah, that would be  
17 wonderful information, but I don't think it's possible to  
18 put that together, yeah.

19 MR. BYRON WILLIAMS: And I hate to  
20 intervene, and I apologize for this. If -- I'll confer  
21 with Mr. -- Professor Carter on this, but if there's a  
22 deeper interest in getting 125 percent LICO, we could --  
23 we could probably provide a hundred percent today  
24 perhaps. I'll check with him, he might be able to dig  
25 deeper if that is your interest.



1                   And I'll -- I'll ask you to reflect upon  
2 that, and the Board as well.

3                   MS. MARLA BOYD:     Certainly. Thank you.

4                   THE CHAIRPERSON:     Since Manitoba Hydro  
5 in some of the other documents, particularly on the gas  
6 side, refer directly to one twenty-five (125), so if  
7 you're doing a hundred, you might as well do one twenty-  
8 five (125) too.

9

10                                   (BRIEF PAUSE)

11

12                   DR. THOMAS CARTER:     Based on 125 percent  
13 of LICO it would probably have to be an estimate that we  
14 would calculate, you know...

15                   MR. BYRON WILLIAMS:     And just for  
16 clarity, we're -- we would undertake to pro -- just one  
17 (1) second.

18                   DR. THOMAS CARTER:     Yeah. Yeah, we can -  
19 - I think we can do the 100 percent as not an estimate,  
20 probably as a real figure. But I think the hundred and  
21 twenty-five (125) -- I -- I could be wrong, but I think  
22 it would have to be an estimate, yeah.

23                   MR. BYRON WILLIAMS:     And we would  
24 undertake to do both if that would assist counsel and the  
25 Board.

1 MS. MARLA BOYD: Certainly. Thank you.

2

3 --- UNDERTAKING NO. 173: Dr. Carter to indicate the  
4 percentage of Manitoba low-  
5 income households that are  
6 renters, at 100 and 125  
7 percent of LICO

8

9 CONTINUED BY MS. MARLA BOYD:

10 MS. MARLA BOYD: You indicated in your  
11 evidence that there was a significant number of low in --  
12 income individuals who are seniors. And I'm wondering if  
13 you have any idea of how many of those are living in  
14 homes that they own?

15 DR. THOMAS CARTER: I couldn't give you a  
16 number. And I -- I'm not sure whether we could pull that  
17 out. Again, I can check if you -- if you wish.

18 MS. MARLA BOYD: Sure, if you could  
19 undertake to do that, please.

20 DR. THOMAS CARTER: Yeah. Yeah.

21 MR. BYRON WILLIAMS: If we --

22 DR. THOMAS CARTER: I would say that --

23 MS. MARLA BOYD: If -- if you're able to,  
24 to the best of your ability.

25 DR. THOMAS CARTER: Yeah, yeah.

1                   MR. BYRON WILLIAMS:    Just to confirm that  
2    undertaking, Professor Carter would examine whether there  
3    is information to estimate the number of seniors in low-  
4    income living in homes that they own.

5                   MS. MARLA BOYD:     Yes.

6                   MR. BYRON WILLIAMS:    And again, would do  
7    our best at one hundred (100) --

8                   DR. THOMAS CARTER:    Yeah.

9                   MR. BYRON WILLIAMS:    -- and 125 percent.  
10   We will undertake to do so.

11

12   --- UNDERTAKING NO. 174:    Dr. Carter to indicate if  
13                                    there is information to  
14                                    estimate the number of low-  
15                                    income seniors living in  
16                                    homes that they own

17

18   CONTINUED BY MS. MARLA BOYD:

19                   MS. MARLA BOYD:    Thank you.  I hate to  
20   get you on a string of undertakings, but I have one (1)  
21   more question.

22                   With respect to CAC Exhibit 32, which was  
23   the updated information that you provided today --

24                   DR. THOMAS CARTER:    Thirty-two (32), is  
25   that it?

1 MS. MARLA BOYD: The one (1) page, yes.

2 DR. THOMAS CARTER: Yeah.

3 MS. MARLA BOYD: The second paragraph  
4 makes reference to an after-tax poverty figure of people  
5 living in the Province of Manitoba at ninety-six thousand  
6 (96,000).

7 DR. THOMAS CARTER: Yeah.

8 MS. MARLA BOYD: I'm wondering if you're  
9 able to advise what the number of households that would  
10 be?

11 DR. THOMAS CARTER: You know I did some  
12 rough calculations on that because I was kind of  
13 interested in what that would be. And you have to base  
14 it on an average household size.

15 Now the average household in Manitoba is  
16 about two point one (2.1) people. And if you use the  
17 average that would mean about, say, forty thousand  
18 (40,000) households. But having said that, I think that  
19 the average size of households in poverty might be  
20 slightly smaller than that. So you know, you might get a  
21 slightly higher number than the, say, forty thousand  
22 (40,000), yeah.

23 MS. MARLA BOYD: Thank you.

24 DR. THOMAS CARTER: Yeah.

25 MS. MARLA BOYD: You also discussed

1 earlier today the programs in the United Kingdom. You  
2 made reference to their --

3 DR. THOMAS CARTER: Yeah.

4 MS. MARLA BOYD: -- three (3) programs in  
5 your program review.

6 Are you aware of whether or not those are  
7 government-sponsored programs?

8 DR. THOMAS CARTER: They all are -- well,  
9 yes, they all come through government departments --  
10 various government departments, yeah.

11 MS. MARLA BOYD: And the funding for  
12 those programs is provided through those government  
13 departments?

14 DR. THOMAS CARTER: The ones that I  
15 reviewed, that was the case, yes.

16 MS. MARLA BOYD: Thank you. Thank you,  
17 Professor Carter. And those are Manitoba Hydro's  
18 questions.

19 THE CHAIRPERSON: Thank you, Ms. Boyd.  
20 Mr. Peters...?

21

22 CROSS-EXAMINATION BY MR. BOB PETERS:

23 MR. BOB PETERS: Thank you. I won't be  
24 long. Dr. Carter -- Professor Carter, again, I hope I  
25 don't lapse into an informality that is offensive to you,

1 sir.

2                   But I just have a few -- a few questions  
3 to tidy up, and I'm going to pose them in -- in a  
4 different way. If this Board was convinced that there  
5 was a business case that showed that a low-income  
6 affordability rate actually saved the Utility money and,  
7 therefore, the expenses were worthwhile and the Board  
8 concluded that that was important to them and they went  
9 down that road, your evidence seems to suggest there  
10 might be a better way to spend the money rather than on  
11 the low-income affordability rate.

12                   DR. THOMAS CARTER: That's --

13                   MR. BOB PETERS: Would that be correct?

14                   DR. THOMAS CARTER: That's my opinion,  
15 yes.

16                   MR. BOB PETERS: All right. So let's  
17 just suppose that at the end of the hearing the Board  
18 walks over and gets a cheque let's say from Manitoba  
19 Hydro for \$15 million. What -- what would you do with  
20 that cheque to help alleviate the -- the problem that  
21 comes before this Board in terms of energy poverty  
22 issues?

23                   DR. THOMAS CARTER: Well, first of all,  
24 I'm not sure that the cheque should come from Manitoba  
25 Hydro. I think it should be through general government

1 revenues. But if there were \$15 million, which isn't a  
2 lot of money, my recommendation would be to spend it on  
3 programs or enhance programs that the province already  
4 has to improve education levels and skills development  
5 and send people on welfare back to -- back to school and  
6 get them in the workforce.

7 MR. BOB PETERS: And if, for some reason,  
8 that that cheque was \$55 million --

9 DR. THOMAS CARTER: Well, I'd be --

10 MR. BOB PETERS: -- would your answer be  
11 the same?

12 DR. THOMAS CARTER: I'd be even happier  
13 and my answer would be the same, yes.

14 MR. BOB PETERS: Now, you say you're not  
15 sure that Manitoba Hydro should -- should cut that  
16 cheque, and let's talk about that for a second. If -- if  
17 this program was to have -- this hypothetical program was  
18 to have a positive benefit on the Utility's bottom line,  
19 do you think the Utility should contribute to the amount  
20 of money that goes to enhance the programs that you just  
21 spoke about?

22 DR. THOMAS CARTER: I guess my basic  
23 assertion here is that funding for poverty alleviation  
24 and poverty reduction policies should come through  
25 governments, okay. If somebody was to hand me a cheque,

1 I'd probably have a hard time turning it down, but, you  
2 know, that's my -- that's my basic premise.

3                   You know, I think it's the responsibility  
4 of Manitoba Hydro to charge rates that are realistic and  
5 not usurious but I'm not saying it's the responsibility of  
6 Manitoba Hydro to become the funder of poverty  
7 alleviation.

8                   MR. BOB PETERS: All right. And if -- so  
9 what you're saying in another way is that if Manitoba  
10 Hydro was to determine that a low-income rate  
11 affordability program or other programs that -- that  
12 reduced its costs, you're suggesting that all Manitoba  
13 Hydro customers should see the benefit of that by reduced  
14 rates to them?

15                   DR. THOMAS CARTER: Yeah. And, also,  
16 when you're talking about programs that reduce cost, I  
17 would want to know that the participation rates under  
18 those particular programs are very, very high because I  
19 would want to make sure that in reducing costs the  
20 benefits should go to all that should be eligible for  
21 those particular programs. You have to have that  
22 horizontal equity or you don't have a successful program  
23 and you have to have high participation rates.

24                   MR. BOB PETERS: Whose responsibility is  
25 it to ensure that the responsibility rates are, ideally,



1 the hundred percent of those who would be eligible?

2 DR. THOMAS CARTER: Whose responsibility?

3 MR. BOB PETERS: Yes.

4 DR. THOMAS CARTER: Well, I guess it's  
5 the responsibility of the organization that delivers the  
6 program. But here again, my point is that I think there  
7 are departments within the government that would have  
8 better success having higher participation rates than  
9 Manitoba Hydro.

10 MR. BOB PETERS: And that's because those  
11 government departments are already privy to information  
12 on their files that would identify the eligible  
13 candidates for any low-income affordability rate?

14 DR. THOMAS CARTER: Yes, that, and I  
15 think that they work on an ongoing basis with the -- the  
16 groups in the sectors of society that experience  
17 disproportionate levels of poverty.

18 MR. BOB PETERS: I wasn't sure from Ms.  
19 Boyd's question about -- I think she said another  
20 bureaucracy. I'll have to check the transcript to see,  
21 to deal with -- to deal with the poverty or low-income  
22 issues not being set up at the Utility, but you're saying  
23 that bureaucracy may also already exist elsewhere?

24 DR. THOMAS CARTER: Elsewhere than  
25 Manitoba Hydro?

1 MR. BOB PETERS: Yes.

2 DR. THOMAS CARTER: Yes.

3 MR. BOB PETERS: But I -- but you can't  
4 point to one (1) department where it exists. You see it  
5 in parts of other government departments?

6 DR. THOMAS CARTER: I -- I see it partly  
7 being in fam -- Family Services, largely being in Family  
8 Services. But there's a role for education here.  
9 There's a role for health, and this is where it becomes  
10 important that you had that integrated and broad poverty  
11 strategy that is in place at the government level.

12 MR. BOB PETERS: Are you familiar, Dr.  
13 Carter, with agencies set up in other jurisdictions that  
14 would deal with perhaps not just poverty issues, but  
15 maybe even energy efficiency issues, whether aimed at  
16 low-income or not low-income?

17 DR. THOMAS CARTER: I am aware of that.  
18 Now I could be wrong, but I think -- I think New Zealand  
19 established an agency or a structure that wasn't just  
20 involved in energy. It was involved in community  
21 development. It was involved in poverty alleviation.

22 So, you know, I know that there are  
23 agencies out there and -- and don't necessarily quote me  
24 on the New Zealand one (1). But some -- in some cases  
25 there have been special agencies established to look at

1 poverty alleviation.

2 Yes, in New Zealand there was an energy  
3 efficiency and conservation authority established that  
4 had some wide-ranging powers, but I didn't really look  
5 into it in any great detail, so...

6 MR. BOB PETERS: So are you able to relay  
7 to the Board how successful or unsuccessful that agency  
8 was in carrying out its mandate?

9 DR. THOMAS CARTER: Not that particular  
10 agency, but I do know that some agencies that have been  
11 established, particularly to deal with poverty  
12 alleviation, community development education, you know,  
13 to try and bring the pieces together, but the pieces  
14 should be able to come together within government.

15 In the Province of Manitoba now we have an  
16 intersectoral departmental committee to look at  
17 immigration policy and the integration of immigrants and  
18 refugees. And that brings together the important  
19 departments that play a role in immigration and  
20 resettlement. I -- I'm not against that sort of an  
21 organization to deal with poverty alleviation.

22 MR. BOB PETERS: That immigration program  
23 you speak of, that intersectoral --

24 DR. THOMAS CARTER: M-hm.

25 MR. BOB PETERS: -- working group or --

1 DR. THOMAS CARTER: Yeah.

2 MR. BOB PETERS: -- department, that's  
3 relatively new?

4 DR. THOMAS CARTER: I think it dates back  
5 about eighteen (18) months, two (2) years. I think the  
6 deputy ministers are the sitting representatives on it.  
7 I'm not certain of that, but I'm sure that's the case.  
8 But they're departments within government, okay.

9

10 (BRIEF PAUSE)

11

12 MR. BOB PETERS: Just so I'm clear, the -  
13 - the question -- the most recent questions of the Vice-  
14 Chair, dealing with the payment of utility bills by  
15 Social Assistance recipients, you weren't aware of what  
16 percentage are paid directly by the social service agency  
17 as opposed to how many are funded through a cheque to the  
18 -- to the recipient?

19 DR. THOMAS CARTER: No, I'm not, no. Do  
20 we have that? Just -- just a sec.

21 MR. BYRON WILLIAMS: Mr. Peters, just --  
22 I'll -- I'll confer with my client on that for a second.

23

24 (BRIEF PAUSE)

25

1 DR. THOMAS CARTER: We -- we can make  
2 inquiries to see if we can come up with that breakdown.

3 MR. BOB PETERS: Well, if you wouldn't  
4 mind undertaking to make those inquiries and reporting  
5 back through your counsel as to what the --

6 DR. THOMAS CARTER: Yeah.

7 MR. BOB PETERS: -- results of those  
8 inquiries are, that would be information that might be  
9 helpful to the Board. Thank you, sir.

10 MR. BYRON WILLIAMS: The -- and as I  
11 understand the undertaking, it is to inquire of Social  
12 Assistance, and if -- or the Department of Family  
13 Services and if possible, obtain a breakdown of the  
14 number -- or the number and percentage of persons who it  
15 directly pays their utility bills, as opposed to those to  
16 whom it provides a -- a contribution in their monthly  
17 budget.

18 Is that a correct statement, Mr. Peters?

19 MR. BOB PETERS: Yes, and even worded  
20 better than the question itself, Mr. Williams, so thank  
21 you.

22

23 --- UNDERTAKING NO. 175: Dr. Carter to inquire of  
24 Social Assistance and, if  
25 possible, obtain a breakdown

1 of the number and percentage  
2 of persons for whom Social  
3 Assistance directly pays  
4 their utility bills as  
5 opposed to those to whom it  
6 provides a contribution in  
7 their monthly budget

8

9 CONTINUED BY MR. BOB PETERS:

10 MR. BOB PETERS: And on a -- on a -- on  
11 that point, Dr. Carter, in terms of the Social Assistance  
12 recipients who would receive a contribution towards their  
13 utility bill on a -- on a cheque, do you know what  
14 percentage of their entire annual cost would be included  
15 on the monies provided?

16 DR. THOMAS CARTER: Well, their entire  
17 annual costs are supposed to be covered.

18 MR. BOB PETERS: And this is the one to  
19 which you suggested that there be monthly amounts  
20 provided and a -- and a true-up at the end of the year?

21 DR. THOMAS CARTER: That's right.

22 MR. BOB PETERS: The -- the question I  
23 have is: In the event that this Board was to order a  
24 rate increase, is that rate increase included in the  
25 calculation of the year-end amount of -- of the energy

1 bill for the recipients?

2 DR. THOMAS CARTER: I assume that it  
3 would be, yes.

4 MR. ROBERT MAYER: Mr. Williams, that is  
5 all set out in Exhibit A, right? I don't even have to  
6 look at Exhibit B to see the answer to those questions,  
7 do I?

8 MR. BYRON WILLIAMS: I'm sorry, Mr.  
9 Mayer. The questions that Mr. Mayer -- that -- that Mr.  
10 Peters just posed?

11 MR. ROBERT MAYER: Sorry. I'm talking  
12 about the -- what happens -- firstly, how much of the  
13 hydro -- how much of the energy bill the -- the agency  
14 actually pays is one (1) thing, and the estimates, all  
15 those questions Mr. Peters asked you. That is why --  
16 that is why you filed the affidavit of Catherine Wirt,  
17 and that is what's set out in Exhibit A to that  
18 affidavit.

19 Am I not correct?

20 MR. BYRON WILLIAMS: As I understand it,  
21 Exhibit A sets out the policy and now -- and -- Mr.  
22 Chairman, might I have the liberty and -- of -- with the  
23 indulgence of others, I may know a bit more about this  
24 perhaps than Professor Carter. Or perhaps I should put  
25 it --

1 DR. THOMAS CARTER: Go ahead.

2 MR. ROBERT MAYER: I was looking at Mr.  
3 Singh to see if he wanted to swear you in.

4 MR. BYRON WILLIAMS: If the -- if the  
5 Board would -- in terms of the policy -- let me put it  
6 this way, and then the Board will tell us if they want me  
7 to pro -- provide more information by way of undertaking.  
8 The policy broadly sets out what the department does.  
9 There are variations on that that we've learned about  
10 through my practice and also through our -- our workshop  
11 and, for example, the -- and I probably should be sworn  
12 in just about right now.

13 For example, the reconciliation, there is  
14 an opportunity to do it more than annually. One could do  
15 it on a more frequent basis if the burden is becoming  
16 significant. On the other hand, part of that depends on  
17 the temperament of one's social worker as well.

18 So I've probab -- I -- I know I've stepped  
19 too far, but if the Board would like more information  
20 about the reconciliation policy, we can make it available  
21 by way of -- of undertaking, if that would assist them.

22 THE CHAIRPERSON: Why don't you --

23 MR. ROBERT MAYER: Well, a part of that,  
24 by the way, is -- what you just said is in the last  
25 paragraph of Exhibit A.



1                   THE CHAIRPERSON:    You might as well do it  
2 by way of undertaking, Mr. Williams, and I think there's  
3 more than you in this room that's aware of some of those  
4 possible variations.

5                   MR. BYRON WILLIAMS:    So the undertaking  
6 would be to provide just additional details in terms of  
7 our understanding, or Professor Carter's understanding,  
8 of the reconciliation policy over and above what's set  
9 out in Exhibit A?

10                  THE CHAIRPERSON:    Yes.

11

12 --- UNDERTAKING NO. 176:    Dr. Carter to provide  
13                                    additional details in terms  
14                                    of his understanding of the  
15                                    reconciliation policy over  
16                                    and above what's set out in  
17                                    Exhibit A

18

19                  DR. THOMAS CARTER:    Just to give you a --  
20 a specific example on -- Mr. Williams says that  
21 reconciliation can occur more frequently than every  
22 twelve (12) months.  When I was on the board of  
23 Westminster Housing, we had a -- a family that moved from  
24 a small unit to a larger unit and their utility bills  
25 leaped because of that move.  They and we worked with

1 their social assistance caseworker to get them an  
2 adjustment within a couple of months. So, I mean, the  
3 legislation says "annually," but you can do it more  
4 frequently if the -- there is justification, so.

5 MR. BOB PETERS: Mr. Chairman, I'd like  
6 to thank Dr. Carter for his answers to my questions.  
7 Those complete my questions of him. Thank you, sir.

8

9 QUESTIONED BY THE BOARD:

10 THE CHAIRPERSON: Thank you, Mr. Peters.  
11 Just before we close, I had one (1) more question. Mr.  
12 Williams, were you going to say something else? I know  
13 you wanted to do redirect, but I thought I'd --

14 MR. BYRON WILLIAMS: One (1) question.

15 THE CHAIRPERSON: -- raise the question  
16 first. Professor Carter, you indicated in your evidence,  
17 like in the written evidence, that --

18 DR. THOMAS CARTER: Yeah.

19 THE CHAIRPERSON: -- those in energy  
20 poverty pay the same rates as everyone else but,  
21 oftentimes, you're portrayal was basically they may not  
22 be able to utilize programs that are built into rates.  
23 You used the example of a refrigerator --

24 DR. THOMAS CARTER: Yeah.

25 THE CHAIRPERSON: -- because they just

1 couldn't lay out the thousand bucks even though it's  
2 going to save them three hundred (300).

3 DR. THOMAS CARTER: That's right.

4 THE CHAIRPERSON: So, in other words,  
5 they're paying in rates for a service that they can't  
6 receive simply because of their lack of upfront funding.

7 DR. THOMAS CARTER: Yeah.

8 THE CHAIRPERSON: That was your  
9 testimony, was it not?

10 DR. THOMAS CARTER: That's in the demand  
11 side programs, yes. Yeah.

12 THE CHAIRPERSON: If the Board concluded  
13 and with Manitoba Hydro's assistance and, as Mr. Peters  
14 suggested, that Manitoba Hydro using, say, for example,  
15 Mr. Colton's concept, could save, to use his numbers, \$15  
16 million, okay, by implementing some of the measures that  
17 he basically proposed, what would your view of -- we  
18 heard your view about what you'd like to do with it --

19 DR. THOMAS CARTER: Yeah.

20 THE CHAIRPERSON: -- which would be  
21 improve skills and education and take all into account.  
22 But the world is oftentimes not exactly the way we would  
23 want it to be. If that was paid out over to an agency to  
24 avoid double administration and privacy issues and things  
25 of that particular nature on the condition that it only

1 be used to reduce energy poverty, would that not be an  
2 assist to some people in poverty?

3 DR. THOMAS CARTER: Well, certainly. I  
4 mean, all of these programs, as I said, they do assist  
5 people in poverty. But the point is they may not get  
6 people out of poverty.

7 You know, I think -- I don't want you to  
8 misconstrue my approach here, okay. I -- I haven't  
9 argued at any time that putting a dollar in a poor  
10 person's pocket is a problem. That's not the issue. But  
11 if you're going to work to get people out of poverty,  
12 which I think should be the objective, then you have to  
13 take a different approach.

14 And alleviating energy poverty, as good as  
15 it might be for the person in poverty, isn't going to be  
16 the basis of a strategy of long-term poverty alleviation,  
17 to reduce the number of people in poverty.

18 THE CHAIRPERSON: Thank you, sir.

19 Mr. Williams...?

20 MR. BYRON WILLIAMS: I think my --  
21 certainly my -- my client would like me to ask one (1) of  
22 re-direct. I just would like a second to consult with  
23 her and Professor Carter. It would be like thir -- a  
24 minute offline.

25 THE CHAIRPERSON: No problem.

1                   MR. BYRON WILLIAMS:   And to assist the  
2 Board in -- in following my hypothetical, if they -- if  
3 they wish -- I don't know if you have in your hand the  
4 book of documents which was used to cross-examine Mr.  
5 Colton or not, or I could make one (1) available. The  
6 question that we're likely to ask flows -- flows from --  
7 from that.

8                   THE CHAIRPERSON:   You just reference it,  
9 and we'll have a copy that we'll be looking at.

10                  MR. ROBERT MAYER:   This is something we  
11 assume arose out of cross-examination and not a new  
12 topic, I take it.

13                  MR. BYRON WILLIAMS:   I'm sorry?

14                  MR. ROBERT MAYER:   This is something that  
15 arose out of cross-examination?

16                  MR. BYRON WILLIAMS:   Absolutely.

17

18                                       (BRIEF PAUSE)

19

20                  THE CHAIRPERSON:   While they're  
21 conferring and coming to a conclusion on their question,  
22 I just wanted to indicate what our intention would be, is  
23 we would then take our break and then we would come back  
24 and return to Manitoba Hydro and get ahead of tomorrow.

25

1 (BRIEF PAUSE)

2

3 RE-DIRECT-EXAMINATION BY MR. BYRON WILLIAMS:

4 MR. BYRON WILLIAMS: Yes. And certainly  
5 it's not necessary to go there, but if persons want to  
6 follow along for the basis of my hypothetical we could  
7 start at page 28 of our book of docu -- book of  
8 documents.

9 And, Professor Carter, I'll direct your  
10 attention -- I want you to -- you were asked a number of  
11 hypotheticals about programs. I'd like you to assume  
12 that we have a low-income rate affordability program, a -  
13 - first of all. Secondly, that it has an anticipated  
14 participation rate of 40 percent.

15 And then I'd like to direct your attention  
16 to the last two (2) pages on -- on what is page 28 before  
17 you:

18 "Based on their design, certain  
19 programs are unlikely to be cost  
20 neutral. If a program results in large  
21 reductions in payments by customers it  
22 is unlikely to be cost neutral."

23 So working on the assumption that we're  
24 dealing with a low-income rate affordability program,  
25 that the participation rate is 40 percent and that it --

1 given that it is unlikely to be cost neutral.

2 I wonder if you can comment on how, if at  
3 all, you see this program impacting the 60 percent of  
4 low-income participants who either -- or who -- who are  
5 not participating in that program.

6 MR. WILLIAM GANGE: Before -- before  
7 there's an answer, this is redirect. I -- I don't  
8 believe that that was a question that arose in any way  
9 out of -- out of any of the cross-examinations and I  
10 don't think it's a proper question.

11 I -- I don't believe that Professor Carter  
12 has, in any way, suggested that he has a capability of  
13 answering this question. I don't believe, given -- given  
14 the -- the extensive cross-examination that I had of his  
15 expertise, he made it very clear that he does not have  
16 the expertise to give an answer to this question and I --  
17 and I therefore object to the question.

18 MR. BYRON WILLIAMS: And, certainly --

19 MR. ROBERT MAYER: How do you feel about  
20 a -- a question on redirect and we're referred to a  
21 document from -- prepared by Mr. Williams?

22 MR. BYRON WILLIAMS: It's not prepared by  
23 Mr. Williams, that's prepared by Mr. Colton, sir.

24 MR. ROBERT MAYER: Sorry, it says, "Byron  
25 Williams, Public Interest Law Centre" on the bottom. I -

1 - you referred us to your book of documents.

2 MR. BYRON WILLIAMS: Yes. Mr. Chair --  
3 and certainly, we'll take your direction. The questions  
4 that I was responding to were the exact questions that  
5 were -- the series of questions proposed by the Vice-  
6 Chair.

7 And if -- if My Friend doesn't want to  
8 hear Mr. Carter's answer, we're -- we're happy to live  
9 with -- with that, but I think the Board might benefit  
10 from it.

11 THE CHAIRPERSON: Well, we can always  
12 give the weight that we deem it to be worth of.

13 Mr. Peters, do you have any advice?

14 MR. BOB PETERS: If it's in furtherance  
15 of the questions of the Vice-Chair, then I believe it is  
16 a matter that could be properly put back before the  
17 Board.

18 THE CHAIRPERSON: Okay. Mr.  
19 Williams...?

20

21 CONTINUED BY MR. BYRON WILLIAMS:

22 MR. BYRON WILLIAMS: I pose the question,  
23 Mr. Carter -- Professor Carter.

24 DR. THOMAS CARTER: Okay. If the program  
25 is not cost neutral, and if there's only a 40 percent



1 participation rate then -- although I would acknowledge I  
2 don't have a huge amount of expertise in this area, it  
3 would seem obvious to me that the other 60 percent might  
4 have to pay higher rates to fund that particular program.

5 MR. BYRON WILLIAMS: I have no further  
6 questions.

7 THE CHAIRPERSON: Okay. Thank you.  
8 Thank you very much, Professor Carter. Thank you, Mr.  
9 Williams.

10 Ms. Boyd, if you could give us an indicate  
11 -- we're quite prepared to take thirty (30) minutes or  
12 fifteen (15) minutes. It's up to you as to when you'd  
13 feel comfortable about proceeding.

14 MS. MARLA BOYD: I'm afraid that my  
15 colleague in the back room will have a better answer of  
16 that than I, so I can perhaps check with her and -- and  
17 if you want -- do you want to just give me a minute to  
18 check?

19 THE CHAIRPERSON: Sure, yes.

20 MS. MARLA BOYD: Fifteen (15) is fine.

21 THE CHAIRPERSON: Okay. We'll be --  
22 we'll be back at 2:45.

23

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

25 --- Upon resuming at 2:49 p.m.

1 THE CHAIRPERSON: Okay. Okay. We're  
2 all in our allotted spots. Welcome back to Manitoba  
3 Hydro's panel.

4 Ms. Ramage...?

5 MS. PATTI RAMAGE: Yes. We have a number  
6 of questions this afternoon for re-examination, as I  
7 think Mr. Peters has called it now: re-direct/rebuttal.  
8 We'll call it re-examination. I -- I believe the  
9 witnesses are all still considered sworn, is that  
10 correct?

11 THE CHAIRPERSON: Yes.

12 MS. PATTI RAMAGE: Okay. Good.

13

14 REBUTTAL EVIDENCE:

15 MANITOBA HYDRO PANEL:

16 DAVID CORMIE, Resumed

17 VINCE WARDEN, Resumed

18 HAROLD SURMINSKI, Resumed

19

20 RE-DIRECT-EXAMINATION BY MS. PATTI RAMAGE:

21 MS. PATTI RAMAGE: Mr. Warden, it was  
22 suggested by witnesses for MIPUG that today's ratepayers  
23 are pre-funding Keeyask and Conawapa and that this  
24 results in intergenerational inequities. It was further  
25 suggested that it may be a better strategy for Hydro to

1 use today's revenues to pay down debt. And here I'm  
2 referring to transcript pages 7,524 through 7,536.

3 Do you agree with MIPUG's position?

4 MR. VINCE WARDEN: Yes, good afternoon,  
5 Mr. Chair, Mr. Vice-Chair, ladies and gentleman.

6 No, I -- I don't agree with that position  
7 of MIPUG witnesses. And I think it's maybe a bit of a  
8 misunderstanding of some of the complexities of the  
9 accounting of -- of Manitoba Hydro, which in itself is  
10 understanding, it sometimes can be complex.

11 But there -- there is absolutely no pre-  
12 funding or intergenerational equity issues associated  
13 with the construction of capital assets. Every dollar we  
14 spend on capital in projects like Keeyask, Conawapa,  
15 Bipole 3, are capitalized. All dollars are capitalized  
16 and they attract -- those dollars attract interest  
17 regardless of whether that dollar is contributed from  
18 ratepayers or from debt markets.

19 So this means that a dollar contributed by  
20 a ratepayer receives full credit through capitalized  
21 interest for any dollars invested in capital assets.  
22 There is no used or useful or intergenerational --  
23 intergenerational equity issue. Ratepayers only pay for  
24 the capital assets they use.

25 In effect, ratepayers get credit for their

1 investments in capital assets before they in da -- in-  
2 service dates through capitalized interest, and they  
3 continue to receive credit for their investments after  
4 the in-service dates in -- in two (2) ways. Number one  
5 (1), through the -- through the use of those capital  
6 assets, and that's where the "used and useful" comes in.  
7 And, secondly, through the paying of lower interest rates  
8 than they otherwise would -- or interest costs than they  
9 otherwise would if the project was 100 percent debt  
10 financed.

11                   The -- the use of internally-generated  
12 funds or -- or funds that are derived from ratepayers for  
13 capital projects points to the im -- importance of having  
14 a -- an adequate debt to equity ratio or capital  
15 structure. Not only does this protect ratepayers from a  
16 number of different risks intruding -- including drought,  
17 it also provides a source of funds for investing in the  
18 future of the Utility.

19                   Those investments pay dividends to  
20 ratepayers from the date of investment right up to the  
21 ultimate date of retirement of the fixed assets. There  
22 is no intergenerational equity issue.

23                   The notion that it would be more fair for  
24 current rate -- ratepayers to pay down existing debt is -  
25 - is just not correct because the funds used to pay down

1 the debt would simply have to be borrowed again in -- in  
2 capital markets to replace that -- those funds. The net  
3 effect on rate -- ratepayers would be identical, so there  
4 would be no impact on -- on ratepayers by paying down  
5 debt today rather than go to the capital markets to  
6 borrow those funds.

7 THE CHAIRPERSON: If I may, Mr. Warden,  
8 just to ensure that I -- I understand one (1) comment  
9 that you made, you said that -- I understand your  
10 accounting process and that the -- the dollars being  
11 spent for the investments for the -- to be put into  
12 service in the future are not 100 percent debt-funded.

13 It's -- it's -- the -- the -- the interest  
14 on the -- on the debt that relates to the expenditures  
15 that are being capitalized, okay, is equal to the  
16 expenditures, is it not?

17 MR. VINCE WARDEN: Yes. The interest  
18 that we capitalize on -- on all capital projects is on  
19 every dollar expended on that capital project, regardless  
20 of whether it's financed from internally-generated funds  
21 or debt.

22 THE CHAIRPERSON: So when you say,  
23 internally-funded, you're talking about cashflow, like  
24 non-cash items --

25 MR. VINCE WARDEN: Cashflow.

1                   THE CHAIRPERSON:    -- like amortization  
2 and things like that?

3                   MR. VINCE WARDEN:    Well, Mr. Chair, as  
4 you know, we -- we have a capital target. In addition to  
5 our debt-equity target we have a capital target of  
6 greater than one twenty (120).

7                   So that means that we provide funding for  
8 capital projects -- for major capital projects 20 percent  
9 over the -- over the funding required to fund our base  
10 capital. So if we -- if we meet our capital target each  
11 and every year we'll have 20 percent over and above our  
12 base capital to fund projects such as Keeyask and  
13 Conawapa.

14                   And those funds, though, that come from  
15 internal sources will not only attract interest the same  
16 as -- as will funds borrowed on the capital markets, but  
17 they'll also reduce the amount of funds that we would  
18 have to borrow on the capital markets and therefore  
19 provide benefits to ratepayers.

20                   THE CHAIRPERSON:    Those -- the dollars  
21 that you're not borrowing on the -- the capital market is  
22 the -- the overall debt charges including the guarantee  
23 fee?

24                   MR. VINCE WARDEN:    Yes.

25                   THE CHAIRPERSON:    And the -- the -- the

1 rest of it, I take it, comes at a lower interest rate,  
2 it's short-term.

3 Is that the idea?

4 MR. VINCE WARDEN: Well, we have a  
5 formula that we use for capitalizing interest on all  
6 projects that includes a mix of -- of long-term embedded  
7 cost of capital as -- as well as current -- current cost  
8 of capital. So I'm not sure whether I'm addressing quite  
9 your question, Mr. Chairman, but the -- the interest rate  
10 is the same regardless of -- of the source of those  
11 funds.

12 THE CHAIRPERSON: Just for a -- just for  
13 an example to get it clear in my head, if it was a  
14 hundred dollars (\$100), what rate of interest would  
15 accrue to it?

16 MR. VINCE WARDEN: If it was -- if we  
17 borrow a hundred dollars (\$100) we would charge a rate --  
18 the current capitalization rate, I believe, is around --  
19 just over 6 1/2 percent, I believe, is our current  
20 capitalization rate. And that rate would apply whether  
21 we borrowed that money, or whether that -- those funds  
22 came from -- from internal sources.

23 THE CHAIRPERSON: Thank you, sir, that  
24 helps. Ms. Ramage...?

25

1 CONTINUED BY MS. PATTI RAMAGE:

2 MS. PATTI RAMAGE: Yes, thank you.  
3 Turning next to -- and Mr. Warden's going to get to take  
4 a break for a while, to Mr. Cormie and Mr. Surminski, and  
5 I feel more like a cross-examination here, but whichever  
6 one (1) of you wants to answer the questions because we  
7 haven't exactly determined that, so feel free to jump in,  
8 whichever is best to answer.

9 But I wanted to address the Stats Canada  
10 data that was used in the Kubursi/Magee evidence. A  
11 number of times during the oral evidence of Dr. Kubursi  
12 and Dr. Magee, the real -- real -- excuse me, reliability  
13 of the Statistics Canada data was questioned.

14 And we heard Dr. Kubursi's response to the  
15 effect that it is not his issue and rather it's a matter  
16 between Manitoba Hydro and Stats Canada. Can you advise  
17 the Board whether Manitoba Hydro has been able to  
18 determine the reasons for the defe -- discrepancies  
19 between Stats Canada data and Manitoba Hydro's calendar-  
20 year data as set out in its rebuttal evidence?

21 MR. DAVID CORMIE: Yes. The Stats Canada  
22 collects its data from Manitoba Hydro from various  
23 sources. With regard to the exports of electricity, they  
24 -- they get that information from the National Energy  
25 Board of Canada in -- using the concept that an export is



1 not an export of Mani -- from Manitoba, it's an export  
2 from Canada. So, in the context of the National Energy  
3 Board, they're -- they -- they treat exports as exports  
4 from the country.

5                   What we call exports to Saskatchewan and  
6 Ontario aren't considered by Stats Canada as being  
7 exports, so those are interprovincial transfers.  
8 National Energy Board, yes. The National Energy Board  
9 considers interregional transfers not to be exports.  
10 Those are -- those are with -- those are within the  
11 country, they stay there.

12                   So when you review the Stats Canada data,  
13 Stats Canada, with regard to exports, goes to the  
14 National Energy Board, and the National Energy Board has  
15 on file the information that Manitoba Hydro has provided  
16 under its export licences. That includes the revenues  
17 and the energy volumes that have physically flowed across  
18 the border. And they classify that energy, though,  
19 according to the nature of the licence. The licence may  
20 be a firm licence associated with our long-term firm  
21 contracts and for non-firm.

22                   Under a -- under a firm licence, Manitoba  
23 Hydro will be exporting some firm power, and it will ex -  
24 - be allowed to export some non-firm power. So they --  
25 they classify it based on the classification given to the

1 licence, not based on the nature of the electricity  
2 that's actually flowing.

3                   So if we have an obligation to sell to  
4 Northern States Power five (5) by sixteen (16) energy on  
5 a firm basis, and under that same contract we're allowed  
6 to sell them non-firm energy at night, all the energy  
7 that goes to NSP goes under the firm licence, even though  
8 some of it is firm and some of it's non-firm.

9                   So Stats Canada has these two (2)  
10 categories, called firm and secondary, but they don't  
11 refer to firm or dependable exports as in the context  
12 that Manitoba Hydro and -- has been discussing firm  
13 exports with the Board, and the secondary is referred to  
14 as any energy that's not sold under a National Energy  
15 Board permit.

16                   Manitoba Hydro does not file any  
17 transactional data with Stats Canada with regard to its  
18 Canadian transactions. Those transactions -- there is no  
19 filing. What -- what Stats Canada does in place, it goes  
20 to Manitoba Hydro's transmission system operators and  
21 says, Please provide us with the metered information that  
22 you have available on how much electricity flows in and  
23 out of Manitoba to Saskatchewan and to Ontario.

24                   And that metered flow can include Manitoba  
25 Hydro transactions, but it can -- can include those

1 transactions that belong to other -- other people that  
2 are in the business of buying and selling electricity,  
3 such as SaskPower, Powerex, Alberta Utilities -- anybody  
4 who wields their power through the Manitoba Hydro  
5 transmission system. And so the information that is  
6 reported to Stats Canada is metered. It has nothing --  
7 it doesn't necessarily match Manitoba Hydro's  
8 transactions.

9                   Prior to the opening up of the Manitoba  
10 Hydro transmission system to competitive use in -- in  
11 2002, when we published our open-access tariff, all the  
12 transactions that flowed over Manitoba Hydro's  
13 interconnections were Manitoba Hydro, and so prior to tho  
14 -- to that date, it -- that was a safe assumption. In  
15 today's world, that's not a safe assumption.

16                   So you have this -- this mixture of US  
17 financial transactions and physical transactions, plus  
18 some metered transaction -- what -- what the Doctors have  
19 assumed are -- are Manitoba Hydro transactions that are  
20 just metered net flows, and so you have this mixture of  
21 apples and oranges taking place.

22                   You know, so -- so there is also  
23 information that is in Table 6.1 that is not in the Stats  
24 Canada report, and so, although the Table 6.1 refers to  
25 Stats Canada as being the source, Stats Canada doesn't

1 have the information. We don't file that information  
2 with them, so we're not sure where the source of Canadian  
3 revenues -- Manitoba Hydro revenues from -- from Canadian  
4 utilities, and -- and I'm not sure the source of that.

5 I can't explain that. It's not -- because  
6 we don't provide Stats Canada with that information, we  
7 don't report it to the National Energy Board. The only  
8 place it's actually reported in the public domain is in  
9 the Manitoba Hydro's annual reports.

10 So I can't explain where Canadian revenues  
11 and import costs and export costs to Canadian comes from.  
12 It's -- it's not from Stats Canada and it's not from the  
13 National Energy Board.

14 When we do look at those transactions, the  
15 Canadian transactions that have been included in Table  
16 6.1, they -- they bear no resemblance to what we actually  
17 -- we actually do. And I addressed that issue in the  
18 rebuttal evidence of Manitoba Hydro in -- on page 84 of -  
19 - of our rebuttal evidence, showing that, you know, we  
20 had for the -- for the year 2007 we showed our actual  
21 exports to -- to Canadian companies was a hundred  
22 gigawatt hours of firm. The Table 6.1 shows 1,232  
23 gigawatt hours. I can't explain why that -- where that  
24 came from.

25 So there's some real fundamental problems

1 with -- with the information that's in the -- in that  
2 table.

3                   The other issues with Table 6.1 and -- and  
4 having to do with the Stats Canada data, is that Manitoba  
5 Hydro provides the information to the National Energy  
6 Board. The National Energy Board is the source of Stats  
7 Canada but doesn't reflect any revisions that Manitoba  
8 Hydro has made to the National Energy Board subsequent to  
9 that. And was especially true in 2007. There was  
10 significant -- some significant revisions to the -- to  
11 the NEB filings, and those haven't shown up in -- in the  
12 Stats Canada data.

13                   The other issue is that Stats Canada  
14 reports on electricity generation and production in the  
15 province, and that can include self-generation by private  
16 companies. In the statistics that they've used they've  
17 included diesel generation in remote sites that's not  
18 available for -- they're not affected by droughts.

19                   And -- and so there -- there are some  
20 issues with the analysis because it's -- it's used data  
21 that's really not appropriate. The data is -- is correct  
22 in the Stats Canada report, but it's been built into the  
23 Kubursi/Magee model in -- incorrectly.

24                   There is an issue in the use of  
25 unallocated energy, which -- which, from our perspective,

1 is the system losses. That's the difference between what  
2 Manitoba Hydro generates and what -- how much energy  
3 actually arrives and is consumed at the customer meter.

4                   We meter the -- we meter at the customer,  
5 we know what we generated; the difference is the losses.  
6 In the Kubursi/Magee Report, they've taken metered load  
7 and they've subtracted the losses rather than adding  
8 them, so then makes a swing of -- a significant swing,  
9 over to -- over 4,000 gigawatt hours in the analysis.  
10 So, again, there's -- there's issues with the -- the  
11 analysis that they've -- they've made.

12                   The effect of the hundred million dollar  
13 typographical error in the -- in the water rental payment  
14 is -- is a huge issue because it creates an outlier. And  
15 then they -- they have a computer model that tries to fit  
16 a probability distribution to that, and -- and it's  
17 fitting a distribution to a -- to a mathematical error,  
18 or a typo -- typographic error. And so that just feeds  
19 through the process of -- of per -- perpetuates it way --  
20 all the way through the -- the -- through the analysis.

21                   So we -- we have an issue of -- of data  
22 that's not -- doesn't reflect Manitoba Hydro's actual  
23 data. We have an issue of -- that -- that the model has  
24 been calibrated to -- to this incorrect data.

25                   And -- and I think as I said in my earlier

1 testimony, you know, this -- this analysis was done  
2 relatively quickly. But, fundamentally, the process that  
3 they've used is -- is a good one. We agree that if you  
4 take the data set you -- with -- and with good data and  
5 with proper calibration, the -- the concept of then  
6 changing one (1) variable and seeing the effect on -- on  
7 the analysis, is the right thing to do. But I -- but I  
8 would just caution that -- that because of the  
9 fundamental issues dealing with the data on which the  
10 modelling res -- result -- that I do -- I don't believe  
11 that any conclusions can be made based on that analysis.

12 MS. PATTI RAMAGE: The Chairman and Dr.  
13 Kubursi had a discussion regarding implementing Dr.  
14 Kubursi's recommendations with respect to stochastic non-  
15 linear and dynamic modelling. Dr. Kubursi indicated that  
16 if you choose the preferred sequence and exactly the same  
17 set of data of both sides, there would be a marginal  
18 improvement.

19 And here I'm referring to transcript page  
20 6,263. Mr. Bowman also weighed in on this is -- issue,  
21 and that begins at transcript page 7,329.

22 Can you provide your views on this  
23 assessment.

24 MR. DAVID CORMIE: When Manitoba Hydro  
25 began the journey that be -- that -- in -- in the early

1 1980s to develop a suite of computer models -- there was  
2 the MOSES model, the HERMES, and SPLASH, and -- and MOST  
3 -- the first thing that we did was we went to other  
4 Canadian utilities, Quebec Hydro, BC Hydro, looked at  
5 their modelling efforts, listened to them, what they had  
6 to say. And -- and especially with Quebec Hydro, who --  
7 who has a -- who had at that time and still have a -- a  
8 very significant research organization dedicated to these  
9 issues. We -- we took their advice. And their advice  
10 was you can make these models very complex. You can use  
11 the stochastic dynamic programming and you may get a  
12 marginal improvement.

13                   But having gone down that path, their  
14 advice to Manitoba Hydro was to stay with the linear  
15 programming. The -- the incremental benefit of -- that  
16 you might gain from that -- the addition complexity, was  
17 more than offset by that actual issue of -- of -- of how  
18 to understand the -- the results and -- so the advice  
19 that we got then and the advice that -- that I've been  
20 given as we've been going along is that yes, you can get  
21 some marginal improvements, but the improvements aren't -  
22 - are -- are only marginal. And in the way that Manitoba  
23 Hydro uses its model, by running it with a certain set of  
24 assumptions, then running it exact -- exactly the same  
25 model, changing one (1) assumption and looking at the



1 difference, whether the model is complex or simple, the  
2 end result is that you will calculate about the same  
3 answer.

4                   And so there's a -- there's a huge --  
5 there's a huge cost to making it overly complex, and I  
6 think Mr. Bowman spoke very -- spoke well about that the  
7 other day. And -- and I -- I would support that; that --  
8 that you -- you may gain some -- you may be able to put a  
9 few more decimal places behind the -- in the -- in the  
10 number, but I don't think it makes a -- a big difference  
11 to the -- to the result.

12                   MS. PATTI RAMAGE: Ms. Southall asked  
13 under the quote, "Current state of affairs," end quote:

14                   "Without new transmission, the cost of  
15 firm transmission would result in a --  
16 in higher power cost."

17                   And she said:

18                   "In other words, if they need it during  
19 a -- a drought period, that higher  
20 transmission cost, as a result of  
21 congestion, for example, would actually  
22 lead to a higher power cost -- higher  
23 cost power.

24                   Dr. Kubursi responded, and I'm quoting  
25 here:

1                   "Yeah. I mean, if the transmission  
2                   costs are really high, this would have  
3                   to be factored in the cost of energy  
4                   use and -- and it would raise it."

5                   End quote.

6                   Mr. Cormie, what is the likelihood of  
7                   transmission costs increasing, as -- as described in the  
8                   premise of the question by Ms. Southall?

9                   MR. DAVID CORMIE: Well, I think this  
10                  goes back to our situation in 2003, and -- and the issue  
11                  that we wanted the right to use the firm transmission --  
12                  it was available in the United States -- to bring energy  
13                  into Canada, and we had to negotiate a fee for the use of  
14                  that transmission. And that fee was separate from the  
15                  actual cost of the energy that flowed over that  
16                  transmission. And we needed it and we had to pay the --  
17                  pay the price at the time.

18                  But in today's world the cost of  
19                  transmission has been -- well, those costs do no longer -  
20                  - no longer exist. Firstly, we've negotiated and already  
21                  paid for the right to use those transmission services and  
22                  -- and they're not tied to being in a shortage situation.

23                  Secondly, all our firm export contracts  
24                  can be financially settled. No physical flow of power  
25                  has to -- takes place over the line. So even if there

1 were some -- a market based rate for transmission  
2 services we would not use them because we have the right  
3 to financially settle. And so we -- you know, we're not  
4 -- we're clearly not in the same position as we were  
5 prior to the open access market and prior to re-  
6 negotiating our contracts, and prior to now holding the  
7 rights to most of the northbound transmission coming into  
8 Canada. And we've already paid for those. Those costs  
9 are already -- have already been incurred and they're not  
10 negotiable anymore.

11 And under our new contracts, we've been  
12 successful in -- in acquiring the rights to all the new -  
13 - all the new transmission. And -- and so there's no --  
14 there's no point where we can be held hostage to the --  
15 to the -- to our need to bring power north.

16 MS. PATTI RAMAGE: But I -- I'd be right  
17 though, Dr. Kubursi wasn't wrong; it's just that the  
18 situation no longer applies?

19 Is that correct?

20 MR. DAVID CORMIE: Yes, if transmission  
21 costs were high, clearly it would make the price of  
22 energy higher. But -- but the situation is now different  
23 today than it was in the past.

24 MS. PATTI RAMAGE: And can you comment on  
25 the impact of congestion fees?

1 MR. DAVID CORMIE: Well, congestion fees  
2 is an issues that is -- still exist if physical flow is  
3 required.

4 So if you're trying to bring power from a  
5 low priced market to -- to Winnipeg and you -- you want  
6 to bring more power then there's enough transmission to -  
7 - to ship it, what happens is that you need to run more  
8 expensive generations that -- generate -- generators that  
9 are closer to you. And the difference between the  
10 market price and the cost of running that new generator  
11 ends up being the cost of congestion.

12 So if you're -- if you wanted to buy a  
13 fifty dollar (\$50) power in Synergy and bring it to  
14 Winnipeg and you loaded up the transmission line at --  
15 with all the fifty dollar (\$50) power you could buy, but  
16 you needed some more, you'd have to run -- maybe have to  
17 run a sixty dollar (\$60) generator. And so the ten  
18 dollars (\$10) extra is called -- is called a con -- is  
19 congest -- is the congestion price. So your ten dollars  
20 (\$10) associated with having that transmission line fully  
21 loaded.

22 But in today's world we don't -- we don't  
23 need -- we don't need to make physical delivery anymore;  
24 we financially settle. So the congestion doesn't exist  
25 anymore. It only exists to the extent that we need to

1 bring power north to -- to serve Manitoba load.

2 But with regard to settling our tran --  
3 our -- our contracts, all contracts can be settled  
4 financially. And so it's much less likely that -- that  
5 we will be hit with significant congestion, especially in  
6 droughts because we will financially settle our  
7 transactions and there will be no overloading of the  
8 transmission lines.

9 MR. ROBERT MAYER: But, Mr. Cormie, a  
10 drought is when we're going to have to input, and we're  
11 going to need real -- we may need real power. If your  
12 bipole lines have gone down, you needed re -- you're  
13 gonna need real power.

14 So that strikes me that congestion may  
15 still be a problem if we are in a drought situation and  
16 don't want to be running the -- those single cycle  
17 combustion turbines in Brandon.

18 MR. DAVID CORMIE: And -- and from a -- a  
19 planning perspective, Mr. Mayer, you're -- you're  
20 absolutely correct. Mr. Surminski, in his plans, assumes  
21 that physical delivery is always taking place. So in the  
22 drought, in the future, we plan our system assuming that  
23 physical delivery will occur. We don't make the  
24 assumption that we'll be able to financially settle.

25 What will -- what will happen is, as long

1 as there remains a market and we're able to maintain --  
2 financially settle, we won't actually incur those costs.  
3 So to the extent that -- that those costs are -- are  
4 possible, they're built into the IFF, they're -- they're  
5 in there in the low-flow years, in all likelihood we  
6 won't experience those congestion costs because we have  
7 other options.

8

9 CONTINUED BY MS. PATTI RAMAGE:

10 MS. PATTI RAMAGE: At transcript page  
11 6,326, Board counsel referenced the Risk Advisory Report.  
12 In particular, a reference that power supply and  
13 operations -- or power sales and operations:

14 "Estimated that the potential reduction  
15 in net revenue, mainly caused by  
16 drought and continued high natural gas  
17 prices, could reach as much as 700  
18 million."

19 And that was the report with respect to  
20 the '03/'04 drought.

21 Board counsel asked:

22 "Is this consistent with -- [asked Dr.  
23 Kubursi] is this consistent with what  
24 information you were able to obtain, in  
25 terms of the 2003/2004 drought?"

1                   And Dr. Kubursi answered:

2                    "This is exactly the kind of issues we  
3                    were dealing with, yes."

4                   Now, we're awaiting the response to an  
5                   undertaking, providing a list of information Doctors  
6                   Kubursi and Dr. Magee had related to the '03/'04 drought,  
7                   but, given our chance at the mic is -- is now, can you  
8                   maybe advise what type of discussions Manitoba Hydro had  
9                   with Doctors Kubursi and Magee regarding this topic, and  
10                  what information was exchanged?

11                  MR. DAVID CORMIE:    The -- the two (2)  
12                  doctors were provided with the risk advisory report, but  
13                  we did not enter into any discussions about Manitoba  
14                  Hydro's operations in 2003 and '04.  We've had -- we had  
15                  high-level discussions about where the \$700 million came  
16                  -- figure came from, and that was our early indication of  
17                  the cost of the drought, but they were not provided with  
18                  any transactions, no contracts.  They -- they only  
19                  reviewed the material that was available in the risk  
20                  advisory report, and -- unless they had sources of  
21                  information outside of Manitoba Hydro.

22                  MS. PATTI RAMAGE:    And, Mr. Warden, you  
23                  had meetings with Dr. Kubursi and Dr. Magee.  Did you  
24                  discuss the '03/'04 drought in any detail, or at all?

25                  MR. VINCE WARDEN:    No, we did not.

1 MS. PATTI RAMAGE: And, Mr. Surminski,  
2 you were involved -- you met with them, too, is that  
3 correct? And did you discuss the '03/'04 drought?

4 MR. HAROLD SURMINSKI: No. That would be  
5 outside our planning area.

6 MS. PATTI RAMAGE: And now turning to,  
7 Mr. Surminski. Dr. Kubursi, in his testimony in  
8 transcript pages 6792 to 6794, states that Manitoba Hydro  
9 should use dynamic programming, and that its models, such  
10 as SPLASH, should use a discount rate because, and I  
11 quote:

12 You treat a dollar twenty (20) years  
13 from now to have the same value as  
14 today. You tend to exaggerate the  
15 future at the expense of -- of the  
16 present."

17 Do you agree with this assessment, that  
18 this is a significant weakness of Manitoba Hydro's  
19 approach to SPLASH modelling and analyzing the  
20 attractiveness of development plans?

21 MR. HAROLD SURMINSKI: No, I do not agree  
22 with the Doctors' opinions in -- in this area. Their  
23 conclusions relating to dynamic programming and -- and  
24 the use of discount rate may be due to a misunderstanding  
25 that they have on -- on the exact role of SPLASH.



1                   So, first of all, this area, this  
2 discussion appears to assume, with -- this discussion  
3 with Dr. Kubursi particularly -- and this was also the  
4 consequence of that discussion relating to whether the  
5 difference in preferred -- in the results for our  
6 preferred development plan would be marginal or  
7 significant, and he came back with three (3) factors, and  
8 one (1) of the factors was this dynamic programming  
9 approach that may give some marginal improvement.

10                   But I think he's confusing things, because  
11 he thinks that -- that the SPLASH model is the tool that  
12 directly evaluates the benefits and the net present value  
13 of a -- of a long-term development plan, and this is not  
14 true. The net present value analysis is taken outside of  
15 the SPLASH model, and this analysis, it does use the time  
16 value of money.

17                   And this is important, because this study  
18 is as long as thirty-five (35) years, and the  
19 alternatives, the different development alternatives, may  
20 have different capital expenditures at different times,  
21 different revenues at different times. So the time value  
22 and the present value is important in that case. So the  
23 present value analysis, it -- that -- that we do for  
24 comparing development plans, does consider the -- the  
25 discounting process.

1                   But now I'll turn to what SPLASH actually  
2 does, and why discount rate is not important in -- in  
3 SPLASH. Well, the operating decisions that are simulated  
4 in SPLASH are made one (1) year at a time, and the  
5 simulated decision on release of water -- because that's  
6 what SPLASH is doing, is making a decision in every month  
7 and every year of release or storage of water, this  
8 effect does not carry forward for -- for a long time.

9                   This is because Manitoba Hydro's system  
10 does not have the capability to store water more than  
11 about a year or two (2) at most, so there's a diminishing  
12 effect that the decision today or two (2) years down the  
13 road; it really -- it doesn't matter what you did two (2)  
14 years ago because the storage capability is just not that  
15 far forward.

16                   So, therefore, any operating decision made  
17 today does not affect energy production beyond the two  
18 (2) years from today and -- and there's no need to  
19 consider discount rate in the optimization problem in  
20 SPLASH because it's a relatively short time period.

21                   This is where Dr. Kubursi thinks that  
22 somehow there's a long carry forward and a time value  
23 that's ten (10) years forward or twenty (20). Today's  
24 decision, well, somehow you should consider discounting  
25 in -- in the whole process.

1                   So, therefore, I think it's the confusion  
2 of exactly the role of SPLASH and how Manitoba Hydro --  
3 exactly the role and what is the -- the bounds of what  
4 SPLASH is doing and how we actually do a long-term  
5 analysis of comparisons of development plans that -- that  
6 causes him to say that discount rate is important, that  
7 dynamic programming is important.

8                   And -- and he's saying dynamic because  
9 dynamic programming has a memory, has what you --  
10 decision you make today has an effect forever into the  
11 future. Well, in SPLASH, we're saying the decision you  
12 make today does not have an operating decision for a  
13 month. It's only got an effect for a relatively short  
14 period of time.

15                   So this is my -- my clarification of  
16 dynamic programming and the use of discount rate.

17                   MS. PATTI RAMAGE: At page 6,634 of the  
18 transcript the Chairman was having a discussion with Dr.  
19 Kubursi regarding Manitoba Hydro's place in the MISO  
20 market. Dr. Kubursi indicated that Mani -- indicated,  
21 Manitoba Hydro's, I'm quoting, "non-committed firm  
22 exports," represents a very small portion of the market,  
23 and that is why Manitoba Hydro is a price taker.

24                   The Chairman responded to the effect that  
25 his understanding is that in the realtime or day-ahead

1 MISO market, Manitoba Hydro plays a larger role. And Dr.  
2 Kubursi indicated that that is not his understanding.

3 Mr. Cormie, if we could start. Could you  
4 explain what is meant -- or what you understand is met --  
5 meant by "non-committed firm energy"?

6 MR. DAVID CORMIE: Again, this will be an  
7 interpretation of what I think Dr. Kubursi was -- was  
8 saying. But Manitoba Hydro's -- it's -- it's Manitoba  
9 Hydro's surplus that's important to the MISO market.

10 For each hour, we know what the load is  
11 going to be tomorrow. We know what our generating  
12 capability is. We may have 2,000 megawatts of surplus  
13 energy that will go to market. So it's not committed to  
14 Manitoba. It's available to offer into the market.

15 Now, we have contracts in place, but, in  
16 effect, all those contracts do is fix the price between  
17 the buyer and the seller, and they're a financial  
18 settlement that needs to be seen off to the side.

19 From MISO's perspective, we've got 2,000  
20 megawatts that could be in merit that could shift the  
21 MISO cost curve and provide benefit to all the MISO load  
22 because -- because we have 2,000 megawatts of hydro going  
23 into the market, that's 2,000 megawatts of non-hydro  
24 energy that doesn't need to be generated.

25 Now, in terms of the whole market, that

1 two thousand (2,000) is, you know, less than a couple of  
2 percent. But -- but just to clarify, it's not the  
3 surplus for which we haven't got financial -- locked in  
4 the financial price. So of that two thousand (2,000), we  
5 may have already hedged the -- the price under the  
6 contract for all of it. It could all be hedged.

7           But from the -- from a dispatch  
8 perspective, MISO doesn't -- doesn't care. That's a  
9 financial issue between Manitoba Hydro and its bilateral  
10 customers. And if the market clears at a hundred  
11 dollars, Manitoba Hydro gets a hundred dollars for all  
12 its power, but if it agrees with a customer that the  
13 contract price was at fifty (50), Manitoba Hydro was  
14 overpaid for that fifty (50).

15           But that contract -- that -- that customer  
16 was buying out of the market at a hundred dollars, so he  
17 -- he overpaid, and Manitoba Hydro was overpaid, so we  
18 have a contract for differences, and we sent the extra  
19 fifty (50) to them, so we're, in effect, only getting the  
20 contract price. And the load is -- is getting a refund  
21 from Manitoba Hydro for what they overpaid.

22           So the -- the firm contracts in the market  
23 perspective are just a financial settlement so that both  
24 the buyer and the seller end up paying what -- what --  
25 what the agreed to price, and that's regar -- that --

1 that's independent of the dispatch issue that MISO has.

2 And the dis -- MISO dispatch is a  
3 generation based on all Manitoba Hydro's surplus to its  
4 load requirements.

5

6 (BRIEF PAUSE)

7

8 MS. PATTI RAMAGE: Okay. I'm going to  
9 clarify myself. So would I -- would I be correct that  
10 the Chairman's response that in the real-time or day-  
11 ahead MISO market, Manitoba Hydro does play a larger  
12 role?

13 Is -- was that correct?

14 MR. DAVID CORMIE: Larger in terms of if  
15 -- if Dr. Kubursi was just referring to the unhedged  
16 portion compared to the total, the Chairman is right.

17 But in terms of the overall market,  
18 whether we're at a thousand (1,000) or two thousand  
19 (2,000), really only has a minor effect, because the MISO  
20 -- the MISO generation fleet is in -- in the order of a  
21 hundred (100) to a hundred and twenty-five thousand  
22 (125,000).

23 MS. PATTI RAMAGE: And so Dr. Kubursi's  
24 conclusion that Manitoba Hydro's a price taker remains --  
25 you're not changing that -- Dr. Kubursi was correct also

1 on the price taker comment?

2 MR. DAVID CORMIE: Yes, we are a price  
3 taker. We -- we -- we don't have market power.

4 MS. PATTI RAMAGE: Okay. Next, I would  
5 like to turn to the pre-ask questions that were submitted  
6 by the Public Utilities Board for response by Dr. Kubursi  
7 and Dr. Magee. And just to clarify, because there  
8 appears to be some confusion in the room still, these are  
9 not the undertakings that Dr. Kubursi and Dr. Magee have  
10 responded to. These are the questions that were  
11 submitted prior to their oral testimony, and the ones  
12 that they -- that have not yet been answered.

13 And we had a discussion at the side  
14 amongst the Intervenors and to confirm that we're waiting  
15 for Dr. Kubursi and Magee's answers to these questions,  
16 Manitoba Hydro's pre-ask and -- but not to CAC's pre-ask.  
17 They -- theirs is answered on the record.

18 Is that correct, Mr. Williams, just...

19 MR. BYRON WILLIAMS: I -- I think that I  
20 indicated that our -- we would endeavour to ask and  
21 answer ours in terms of cross-examination, and those have  
22 been satisfied from our perspective.

23 MS. PATTI RAMAGE: Okay. I just thought  
24 this was a helpful time to review, because there was some  
25 confusion about what we were -- we were going to be

1 addressing.

2 MR. ROBERT MAYER: We were confused. We  
3 thought we were talking about the Chair's questions that  
4 came out at the end of the day, the exact day which now  
5 escapes me.

6 MS. PATTI RAMAGE: Yeah. No, the  
7 questions that we're going to address were Exhibit PUB-  
8 21. And it's a little odd that we're going to address  
9 some questions that haven't been responded to, but we  
10 thought it important to get Manitoba Hydro's perspective  
11 on these -- these questions.

12 I -- I -- I spoke to Mr. Singh beforehand,  
13 so I believe you have -- the -- the Board has copies.

14 THE CHAIRPERSON: Apparently we do.

15

16 (BRIEF PAUSE)

17

18 MS. PATTI RAMAGE: Now, we're not going  
19 to go through every single question, it'll be a relief to  
20 know. But -- nor are we going to address the premise of  
21 every question, and we wanted to also make it clear in  
22 doing that, that it doesn't necessarily mean that  
23 Manitoba Hydro accepts the premise, but we believe the  
24 logic of what we're saying can be applied to other  
25 questions.



1                   So in the interest of in -- of efficiency,  
2 we're not going through each and every one. But if the  
3 Board wants us to address a question along the way as  
4 we're going through, I -- I'm quite confident you won't  
5 be hesitant to jump in and -- and ask.

6

7 CONTINUED BY MS. PATTI RAMAGE:

8                   MS. PATTI RAMAGE:     So, Mr. Cormie, Mr.  
9 Surminski, you've seen the pre-ask questions filed by the  
10 PUB for response by Dr. Kubursi and Dr. Magee, identified  
11 as PUB Exhibit 21?

12                  MR. DAVID CORMIE:     Yes, we have.

13                  MS. PATTI RAMAGE:     So I'd like to walk  
14 you through a few of them. And first off, I'd like to  
15 deal with questions 1 through 4.

16                  Would I be correct that they all appear to  
17 be premised on the application of the rule curve, which  
18 is set out on page 2 of the pre-asks?

19                  MR. DAVID CORMIE:     Yes, they -- they --  
20 they appear to be based on -- on -- on that diagram, yes.

21                  MS. PATTI RAMAGE:     Can you tell the Board  
22 where that rule curve comes from and what is its intended  
23 application?

24                  MR. DAVID CORMIE:     That -- that rule  
25 curve that's indicated on -- on page 2 of the pre-ask is

1 an example. It is not related to any particular load  
2 year. It's -- it's purely for illustrative purposes and  
3 it illustrates the situation where reservoirs need to be  
4 held at their full supply level just prior to the need  
5 for new generation to come in.

6 So it's the kind of -- it's the design --  
7 it's the design situation, and that design situation is  
8 based upon the critical flow period, that eighteen (18)  
9 month period starting in the summer of 1939 inflows going  
10 to the spring of 1941 inflows.

11 But it's purely for illustrative purpose.  
12 It has nothing to do with what Manitoba Hydro's rule  
13 curve might look like in the future, except that when we  
14 say that we need new generation, it's because we're not  
15 able to count on any more energy withdrawals from  
16 reservoir storage, and that's the situation that this --  
17 this chart illustrates.

18 MS. PATTI RAMAGE: How often would  
19 Manitoba Hydro produce a rule curve of the type -- a rule  
20 curve like these?

21 MR. HAROLD SURMINSKI: I was going to add  
22 before -- before Mr. -- before your question that the  
23 source of this was actually an internal working document  
24 that Manitoba Hydro had provided to Doctors Kubursi and  
25 Magee, and it was -- it was basically a documentation for

1 internal use, and it was illustrative and -- as Mr.  
2 Cormie has indicated.

3                   So, really, they had taken the liberty of  
4 printing this in their report, using it directly, and  
5 they just lifted it out of our documentation and put some  
6 words around it, so -- and they've -- you know, there was  
7 minimal discussion with us about what the context of this  
8 was, how it could be used. So that -- that's part of how  
9 the whole situation developed, was the report -- this --  
10 this graphic got inserted into their report, and, as a  
11 result, others are using this now and misinterpreting  
12 exactly what the meaning of this is and -- and how this  
13 could apply to Hydro operations on a day-to-day basis.

14                   Can you ask your question again, please?

15                   MS. PATTI RAMAGE: I just thought we  
16 should clarify how often Manitoba Hydro, in fact,  
17 produces these type of rule curves.

18                   MR. HAROLD SURMINSKI: Well, in -- in the  
19 planning process, it's -- it's done continually in -- in  
20 terms of every SPLASH run, it requires a rule curve for  
21 every year.

22                   But this particular -- the -- the  
23 illustration here is really a rule curve that applies to  
24 a design condition. It's the condition where the supply  
25 and -- and our hydro system and our total integrated

1 system is exactly equal to demand, so this is the  
2 situation where the system is stressed to the maximum,  
3 and that's part of the -- part of the difficulty. Many  
4 people would not recognize that this is a rule curve that  
5 would not apply to every single load year, for example,  
6 in our SPLASH analysis.

7           If our system, like today, is currently  
8 over installed, we have surplus in our system. We don't  
9 have to stress the operation of our system, so we don't  
10 have to have Lake Winnipeg elevations at full supply  
11 level in order to survive a drought of equal magnitude to  
12 the '38 to '41 period. So that's, I guess, the caution  
13 that -- when one uses this and thinks this is a -- an  
14 operating drought management strategy. This is only  
15 applying to a situation where the system is at the  
16 critical state of supply meeting demand. So, this would  
17 apply to 2021, where we need generation, next-need  
18 generation. At that time, we would expect, from the  
19 planning perspective, that reservoirs would have to be  
20 full in order to survive a drought.

21           In operations, Mr. Cormie will talk about  
22 operations, and -- and in operations, he may not actually  
23 have to be there, but from the planning perspective, for  
24 the resources, the conservative assumptions we have on  
25 available imports, on our hydro operations, for the

1 conservative assumptions we have, we assume that  
2 reservoirs have to be at full supply level just before  
3 these extremely eighteen (18) months of low flows take  
4 place.

5 MS. PATTI RAMAGE: Thank you. So if we  
6 look at Question 1A -- and, for the record, it reads:

7 "Please confirm that Manitoba Hydro's  
8 back calculation of the 1938 to '41  
9 drought is premised on a full reservoir  
10 level of seven fifteen (715) on Lake  
11 Winnipeg in the first year of the  
12 drought/How likely is this situation?"

13 Can you explain to the Board how does the  
14 SPLASH rule curve apply to this question?

15 MR. DAVID CORMIE: Yes, the -- the  
16 concept of dependable energy is the energy that the  
17 system can produce if reservoirs are full at the onset of  
18 the drought. And -- and that concept feeds through the  
19 design process and it determines the in-service date --  
20 required in-service date of new -- of the next generation  
21 source.

22 That design decision is based on a set of  
23 very conservative resources that imports will be  
24 restricted to those that are backed up by contracts, or  
25 expected to be backed up by contracts; those are no non-

1 firm resources, no financial settlements are possible.  
2 They -- so from a designing perspective we're taking --  
3 because we're making a decision about something ten (10)  
4 or fifteen (15) years in the future we have to be very  
5 conservative because the world can change quite  
6 dramatically in a -- in a time like that.

7           With regard to the likelihood -- or, and -  
8 - and it -- for -- further to that, it's -- it's designed  
9 around the license limits that are in -- in -- that  
10 Manitoba Hydro operates to. So if -- if the license says  
11 that we can regulate Lake Winnipeg to the full supply  
12 level, that -- that's a realistic assumption and we could  
13 do that if it was necessary.

14           But to the extent that other resources are  
15 available, if non-firm energy is available in that year,  
16 and it likely will be; if financial settlements are  
17 available, and they likely will be, will be it necessary  
18 to -- to go into that year with the reservoir full?  
19 Probably not.

20           But Manitoba Hydro's not prepared to bet  
21 the in-service date on factors that it doesn't control.  
22 We don't control whether we will be able to participate  
23 in the market. We don't control whether non-firm energy  
24 will be available that we can financially settle. We can  
25 only control those things that are ours, and what is --

1 what is ours is our licenses. And we assume that we --  
2 we push those lice -- the operation to the extent the  
3 license allows and that determines the design.

4 What happens in operation, is that we look  
5 at all the resources that are available, that are  
6 available at that moment in time or that are likely to be  
7 available in the next year; that will allow Manitoba  
8 Hydro to operate its system with the same level of  
9 reliability, but without having to have the largest  
10 reservoir at the full supply level and it's possible, it  
11 -- but it is -- it's not likely because it's likely that  
12 other resources will be var -- will be available.

13 MS. PATTI RAMAGE: So to make it clear,  
14 if I could turn back to the premise of question 1A, if a  
15 five (5) year drought of the type -- the 1938 to '41  
16 drought, if that drought started today, is it necessary  
17 to have a full reservoir level of seven fifteen (715) in  
18 order for Manitoba Hydro to make it through the drought?

19 MR. DAVID CORMIE: From a -- from a  
20 design perspective, it would be necessary if that were  
21 the critical flow year without which we would have energy  
22 shortages -- without which were -- and -- and then if  
23 there were to be energy shortages, that would trigger the  
24 construction of new generation so that there -- that  
25 we're protected against that, but that's around those --

1 those design assumptions.

2

3

(BRIEF PAUSE)

4

5 MR. DAVID CORMIE: If it started today,  
6 we don't -- we don't have to have reservoirs full today.  
7 We only run out of dependable resources in 2021; between  
8 now and then, that's eight (8) years at two hundred (200)  
9 gigawatt hours a year of load growth, that's sixteen  
10 hundred (1600) gigawatt hours of -- of reserves that we  
11 don't need carry in reservoir storage.

12 So assuming that it was a two (2) -- a two  
13 (2) -- two thousand (2,000) gigawatt hours per foot on  
14 Lake Winnipeg, you could have Lake Winnipeg essentially a  
15 foot lower and still meet the -- the Manitoba load if you  
16 were only counting on dependable resources.

17 But -- but now you assume that you can  
18 financially settle all your export contracts under  
19 today's market rules; there's another three (3) terawatt  
20 hours of energy, that's another foot and a half of Lake  
21 Winnipeg. So you could go into the drought with Lake  
22 Winnipeg another foot and a half lower.

23 There's non-firm energy available, much  
24 more than the 4 gigawatt hours -- 4 terawatt hours that  
25 assume in the plan. So that additional energy can allow



1 you to start the drought with lower reservoirs -- levels  
2 than seven fifteen (715).

3                   So what happens in an operational  
4 perspective, we look at all the supplies of energy based  
5 on those supplies that are with -- with a high  
6 probability of being available, including the financial  
7 settlements and those things, we back calculate where  
8 does Lake Winnipeg at the start of a drought if it would  
9 start today. It doesn't have to be at seven fifteen  
10 (715).

11                   But from a design perspective, designing  
12 for ten (10), twelve (12), fifteen (15) years in the  
13 future, we don't -- we can't make those assumptions  
14 because those are events that we don't control, so we  
15 take a more conservative. And in that conservative  
16 world, we assume that the reservoir can start the drought  
17 full.

18                   MS. PATTI RAMAGE: So if we could look at  
19 Question 1B, and promise we're not going through each and  
20 every one. It requests a comparison of historic water  
21 levels with levels in Figure 3.17, which is the rule  
22 curve.

23                   Can you comment on the relevance of -- of  
24 this information?

25                   MR. DAVID CORMIE: Well, there'll --

1 there will never be a match between actual reservoir  
2 levels and the design condition unless the -- the  
3 assumptions that were taken in the design prove out in --  
4 in real world.

5                   So if -- if between now and sometime in  
6 the future or in the past Manitoba Hydro didn't have any  
7 other resources available except the dependable  
8 resources, there should be a match between actual  
9 reservoir storages and the -- and the design assumptions.

10                   It's -- it -- and then -- and that's why  
11 we were able to get through the drought of 2003 without  
12 having full reservoirs, because we -- we knew that we  
13 could -- we could get other energy -- that on a non-firm  
14 basis, at a high enough level of reliability, that we  
15 didn't have to have water and reservoir storages.

16                   Water and reservoir storage is a  
17 liability. That water is sitting there subject to this  
18 risk of spill, and that's not the best place to keep your  
19 money. You want to put your money, put it in the bank.  
20 High reservoir levels also have environmental impacts on  
21 -- on other interest groups around the reservoir.

22                   So the extent that we can operate the  
23 reservoirs at a lower level, it makes financial sense for  
24 Manitoba Hydro and it minimizes the impact of our  
25 operation on other people who are affected by our

1 reservoir operations.

2                   If we had to have the reservoirs full all  
3 the time, well, we -- we've seen what the effect of high  
4 water level is today. If we had to do that year after  
5 year after year, there would be a significant issue for  
6 the company.

7                   MR. ROBERT MAYER: I was just commenting  
8 to the Chair. It seems kind of strange in today's  
9 environment talking about drought.

10

11 CONTINUED BY MS. PATTI RAMAGE:

12                   MS. PATTI RAMAGE: In Question 1D Mani --  
13 or -- yeah, the question is posed:

14                   "Please explain how Manitoba Hydro  
15 would recognize impending drought in  
16 the first year when energy and storage  
17 is well above average and spring  
18 inflows are as yet unknown; for  
19 example, below average snow pack."

20                   Can Manitoba Hydro anticipate a drought as  
21 is -- as suggested in Question 1D?

22                   MR. DAVID CORMIE: No, Manitoba Hydro has  
23 no ability to predict droughts, and we recognize that.  
24 So what we do is we always check against what could  
25 happen, not what we're predicting could happen, but what

1 could happen. And we go back to the historic record, and  
2 we say, Starting today, if the worst thing -- worst river  
3 flows would to -- were to materialize, do we have enough  
4 resources in -- in play that we can meet our load  
5 requirements.

6 That doesn't mean that we're predicting a  
7 drought. It just means we have protected our position so  
8 that if the worst thing were to happen, that we would --  
9 we would be protected.

10 Explain how in the spring 2010 things were  
11 drying up. We didn't know that it was going to rain on  
12 the May long weekend. We just -- we were protecting  
13 against the worst condition, so at -- just because it's  
14 not physically possible to predict rainfall more than a  
15 few days out into the future.

16 And -- and that year was a great example  
17 how we -- it wasn't because we were predicting a drought.  
18 But -- but had we predicted a drought, we would have been  
19 wrong because we had the monsoon rains of the May long  
20 weekend. So we don't rely on our predictive ability to -  
21 - when it comes to protecting the energy supply.

22 We operate based upon a criteria that says  
23 if the worst drought were to start today, can you meet  
24 the load? And -- and we accept that there may be some  
25 costs associated with not having perfect foresight, but

1 that's the cost of providing a reliable supply.

2                   And what happens in the -- from the  
3 planning perspective, the mod -- the models indicate that  
4 you have to draw reservoirs down. It's not because the  
5 model anticipates a drought.

6                   The model has no choice. It says, I'm  
7 using all my other resources, my -- my imports are being  
8 used to the maximum, my gas turbines are running at full  
9 load. I have more load than I have supply. My only  
10 choice is to empty the reservoir.

11                   The process says, well, if you calculate  
12 what the reservoir has to be at the beginning of the  
13 drought and you use up those resources, you'll -- you'll  
14 keep the lights on and you won't run short. It's not --  
15 the perfect knowledge is not -- because it knows that the  
16 drought is coming, it says, I -- I'm prepared under the  
17 worst case to keep the lights on in Manitoba. I'm not  
18 choosing to draw the reservoir. I'm forced to draw the  
19 reservoir because letting the lights go out is not an  
20 option.

21                   And if you were not to build generation in  
22 -- in that year, in that year of shortage that would --  
23 where your rule curve was higher than the licence limit,  
24 in the -- in the next year the lights would go out from  
25 the model's perspective because it now doesn't have

1 enough water in reservoir storage to keep them on.

2                   And -- but the model only drains the  
3 reservoirs because it has no choice except, well my last  
4 -- the last resource available is emptying the reservoir.

5                   MR. HAROLD SURMINSKI: I would just like  
6 to add to that the design condition. Manitoba Hydro has  
7 picked the lowest low on record as the design condition.  
8 Any engineering project requires a design condition. The  
9 Floodway required a design condition. They chose one (1)  
10 in seven hundred (700) years and they built based on  
11 that.

12                   And it's assessment of -- of risk and  
13 reward and you -- you know, you could build for one (1)  
14 in ten thousand (10,000), but the costs could be  
15 exorbitant, so you have to pick a design condition. The  
16 same with a -- a structural building. It's designed for  
17 a particular load, so there's a design condition. Our  
18 hydro system is designed for -- for satisfying loads for  
19 this lowest flow on record.

20                   MS. PATTI RAMAGE: Now if you look at  
21 Questions 1E, F, and G. Confirmation is requested of  
22 certain operational objectives. Can you comment on that?

23

24

(BRIEF PAUSE)

25

1                   MR. DAVID CORMIE:    Yes, the -- these  
2     questions appear to be designed from the perspective that  
3     Manitoba Hydro has an export objective and that it  
4     operates the power system to meet that objective, which  
5     is opposite to the way the power system is operated. We  
6     don't say we'd like to export 4,000 gigawatt hours next  
7     summer and then operate around that.

8                   We say, this is what the Manitoba load is  
9     forecast to be. This is how much water that we forecast  
10    is available. We can turn -- turn that forecast of water  
11    into a -- water -- into an energy supply. Out of that  
12    comes a surplus and it may be 4,000 gigawatt hours. And  
13    then we choose over the year, when's the best time to  
14    take that surplus to market, but we don't have market  
15    objectives with regard to export.

16                  They're the result of whatever surplus is  
17    available under the assumptions of the -- of the  
18    forecast. And if that -- if -- if there's no surplus  
19    indicated because -- under the assumption of drought,  
20    then we accept that there will be no exports and that  
21    we'll probably have to import. And -- but we're not  
22    driven by an export target.

23                  And these quest -- these questions assume  
24    that Manitoba Hydro has certain objectives in the market  
25    and that we operate to them. And -- and that's -- that's

1 not -- that's not the way the -- the operation -- the  
2 operation is modelled around economic system operation.  
3 The models are linear programming models that -- whose  
4 objective function is to maximize net revenue. The  
5 outcome of that process is so many gigawatt hours of  
6 import, so many gigawatt hours of export, and it's based  
7 on the set of assumptions. It's not driven by let's go  
8 out into the export market and -- and see if we can sell  
9 a certain amount of energy.

10 MS. PATTI RAMAGE: If you could turn to  
11 Question 2C, and that reads:

12 "Please explain the probable rationale  
13 for Manitoba Hydro's required decision  
14 in 1936 to maximize imports and/or  
15 thermal generation, or curtail non-firm  
16 exports, when May/June runoff to Lake  
17 Winnipeg was near average and Lake  
18 Winnipeg was at seven fourteen (714)."

19 The question refers to water levels that  
20 actually occurred in 1936. Is the use of natural  
21 historic water levels appropriate?

22 MR. DAVID CORMIE: Yes, we're assuming in  
23 asking this question that it references the table on page  
24 6. Page 6 is the table of historic Lake Winnipeg levels  
25 starting in 1928 for the months April, July, and October.



1                   Prior to 1976 those levels that were  
2 recorded on Lake Winnipeg had nothing to do with Manitoba  
3 Hydro. Those were the natural levels. And so the  
4 reference to seven fourteen (714) in the year 1936 in the  
5 month of -- of July is referencing a historic situation,  
6 not a -- a regulated situation. And so we're confused on  
7 -- on -- in that context, what the -- what the required  
8 decision is, or what is the question, what the -- the  
9 question is referring to a natural situation that doesn't  
10 -- this is not how Manitoba Hydro would regulate the  
11 lake.

12                   In the same way, that table indicates  
13 levels as low as seven o nine point seven (709.7) in  
14 April of 1941/'42. That would be below the minimum of --  
15 allowed under the licence. Manitoba Hydro wouldn't  
16 regulate the lake down to a seven o nine point seven  
17 (709.7). It wouldn't go below seven eleven (711). It's  
18 -- those reflect a historic situation not a -- not a  
19 situation that Manitoba Hydro is -- is considering.

20                   MS. PATTI RAMAGE: Now, assuming you were  
21 somehow able to apply regulated -- regulation-adjusted  
22 water levels, would you have the information necessary in  
23 order to answer Question 2C? And when I say the  
24 information necessary, I mean is it supplied in the  
25 question? Is there sufficient information there to

1 answer?

2 MR. DAVID CORMIE: No, it's -- it's not  
3 able -- we're not -- that -- we're not able to answer  
4 that question because there's a combination of how  
5 reservoir will be operated as a culmination of what the  
6 load in Manitoba is, and that depends on what year you're  
7 talking about. Are you talking about 2011? Are you  
8 talking 2036? Are you talking -- you need to know what  
9 new generation resources are available. Do you have a  
10 Keeyask in service? Do you have a Conawapa in service?

11 And the reference to 1936 is that just --  
12 that we would assume that -- that inflows of 1936 would  
13 apply but we don't know which -- which year is  
14 referenced. So it's not -- it's not possible to answer  
15 that -- that question. There's not enough information  
16 given.

17 MS. PATTI RAMAGE: Turning to Question  
18 3A, it refers to Manitoba Hydro's drought back  
19 calculation strategy. Does Manitoba Hydro have a drought  
20 back calculation strategy?

21 MR. DAVID CORMIE: We don't have a  
22 drought back calculation strategy. I'm assuming the  
23 question refers to the way the rule curve is calculated  
24 by working backwards to find out where you need to be at  
25 the start of the drought.

1                   That's a strategy that's used in the  
2 modelling and SPLASH for the purposes of -- of running  
3 SPLASH. It has -- it has no applicability to the drought  
4 of 2003 and '04. Manitoba Hydro doesn't operate the  
5 power system using SPLASH. SPLASH is a design tool.  
6 SPLASH is not an operating tool.

7                   And the HERMES system doesn't use a back  
8 calculation. HERMES says: What's the lowest the flows  
9 can be? What's the highest the load can be? How much  
10 imports can we count on? Does the calculation. And it  
11 doesn't do it in a backward method. So I'm -- I'm not  
12 sure what strategy is referred to here.

13                   MS. PATTI RAMAGE: Question 3B asks if  
14 Manitoba Hydro anticipated the drought at various points  
15 in time leading up to the 2003/'04 drought. And it --  
16 and it sets out those different times. My question for  
17 you, Mr. Cormie, is: Does -- again, does Manitoba Hydro  
18 anticipate drought?

19                   MR. DAVID CORMIE: No, we don't  
20 anticipate drought. What we do is we protect against  
21 drought, and when it's obvious that you're no longer in  
22 drought, we stop doing that. Today is a great example.  
23 But as you're coming through the winter and you're  
24 protecting storages for next year, like we did in the --  
25 in the late winter of -- of 2003/'04, as we did in the --

1 in the spring of 2010, at some point you come to realize  
2 that either you're in a drought and the protection that  
3 you've been putting in place was a wise thing to do, or  
4 you get to the point where there's so much water in the  
5 system that it's now -- it's -- it's redundant. You're -  
6 - you're just wasting your time because reservoir  
7 storages are at the -- are at record high, like they are  
8 today.

9                   So we're not -- we -- we monitor the  
10 situation, we monitor it weekly, we prepare plans weekly,  
11 we prepare worst-case scenarios weekly through that  
12 critical flow period, but once the rains have come and  
13 once the reservoirs have been re -- refilled, we -- it's  
14 only under -- under periods of continued dry conditions  
15 that we would then start: are we -- are we still okay?  
16 Are we still okay? Do we need to do something? Do we  
17 need to take a -- make a strategic choice to start  
18 conserving and protect reservoir storages?

19                   MS. MARLA BOYD: Okay. Question 3D asks:  
20                   "When did Manitoba Hydro first realize  
21                   a pending water storage?"

22                   And -- and again, we're -- I -- I believe  
23 this is in relation to the '03/'04 drought. And -- and  
24 while you've commented on the predictability issue, the  
25 author of that question has indicated a note that I think

1 is -- well, the -- the note says, quote:

2 "RiskAdvisory was retained to develop  
3 an action plan in late 2002/'03."

4 Which suggests that that -- that has some  
5 relevance to the question of when Manitoba Hydro realized  
6 the pending drought.

7 Could you comment on that?

8 MR. DAVID CORMIE: Yes, there -- there's  
9 two (2) issues here, and I'll just deal with the  
10 development of drought conditions in 2002/'03 first and  
11 then go to the RiskAdvisory.

12 Each spring we start out with a median  
13 budget, it's a forecast that was prepared the year  
14 before. And as we were going through the summer of 2002  
15 and we started to see significant variations in water  
16 supply than what was forecast we would start updating the  
17 revenue forecast and the generation cost forecast. By  
18 the time we would go to the Board for Board approval of  
19 the IFF in November we would have built into the forecast  
20 the current conditions.

21 The low-flows of the winter of 2002 were  
22 no surprise to Manitoba Hydro, they were seen as the fall  
23 developed. It stops raining and things start drying out,  
24 it doesn't take long to realize that you're not gonna  
25 meet your generation targets and your export revenue

1 targets.

2 But, in spite of that, as you're in the --  
3 and as we went through the winter of '02/'03 there's --  
4 we know nothing yet about what's going to happen in the  
5 following year. The question is, is it gonna rain? And  
6 we had adequate reserves in storage. Chances are in all  
7 probability it would rain. It didn't rain, the drought  
8 con -- continued on in 2003 and '04 and -- and that's  
9 where the \$700 million in the -- in the early winter --  
10 or in the early January of -- of 2003 we went to our  
11 executive and said, You know, if it -- if we have a low  
12 flow year this year it's gonna cost the company \$700  
13 million.

14 And -- and they said, Well, are you sure  
15 of that? And I said, No, that's -- under that scenario  
16 that's what it's gonna cost. But we had no predictive  
17 ability, we can't predict these things, they're not --  
18 they're not predictable, you have to just wait.

19 So water shortage developed through the  
20 fall of '02. It -- and it continued in right through the  
21 fall of -- through the winter of '03 and through the  
22 summer of '03 and into the winter of '04. And we know  
23 from the historic record, it was that chart that Mr. Rose  
24 brought that shows the green bars going up and down.  
25 Sometimes those drought -- those situations last a year,

1 sometimes they last two (2) years, sometimes they last  
2 five (5) years, sometimes they last seventeen (17) -- or  
3 fourteen (14) years.

4           But we don't know in advance how long  
5 they're gonna last. But you know that when you're in  
6 them you're -- you're hurting and it's likely that the  
7 water supply is going to stay the same until it starts to  
8 rain. And only when it starts to rain can you go to your  
9 boss and say, Boss, I've done a good job, it's starting  
10 to rain. We can -- we can start counting on things  
11 returning to normal.

12           So that was the water supply situation in  
13 -- in the 2003/'04 drought. Sim -- simultaneous to that  
14 happening Manitoba Hydro was entering into a deregulated  
15 market in the United States. Market prices were starting  
16 to -- becoming very volatile. Manitoba Hydro realized  
17 that it was not just subject to drought risk, it was  
18 subject to market risk.

19           Manitoba Hydro had just put in some  
20 combustion turbines at Brandon, we now had 260 megawatts  
21 of combustion turbines that needed natural gas. Natural  
22 gas was skyrocketing in price. Manitoba Hydro knew that  
23 if it had to base those -- those combustion turbines  
24 there -- if gas was at three dollars (\$3) a GJ, it would  
25 be different than if it was a six dollars (\$6) -- and it

1 could have been twelve dollars (\$12) a Gj. So you -- you  
2 do the math, all of sudden you find out we have a lot of  
3 exposure to price and that exposure had developed over a  
4 very short period of time.

5           So our discussions with RiskAdvisory at  
6 the time, we're now in a -- kind of in a new world with  
7 regard to financial risk. We need some advice on -- on  
8 how to measure that risk and that -- that led to our  
9 discussions of -- of -- and the -- and the initial  
10 RiskAdvisory report. It was very clear in the  
11 RiskAdvisory at that time because we're in a drought and  
12 we're actually facing those situations, so it was timely  
13 from that perspective.

14           But the RiskAdvisory activities were done  
15 because of the market volatility, because the -- the  
16 natural gas units were on the system now. Prices were  
17 now extremely volatile. And on to -- on top of that, we  
18 had our traditional drought risk. And it was how do you  
19 measure the effect of all these factors in a way like Dr.  
20 Kubursi and Mis -- Magee have suggested using Monte  
21 Carlo.

22           The outcome of the RiskAdvisory work was  
23 the development of the PRISM model, and that work was  
24 triggered to deal with these things and -- and, you know,  
25 I think that's the right way to go.



1                   At the same time, we also had -- there are  
2 other alternatives to measuring the drought risk and that  
3 was -- one (1) of them was -- was to use mathematical  
4 techniques, and that led to our involvement with the New  
5 York consultant.

6                   That didn't work out, to say the least,  
7 but we were going at it from -- from two (2) fronts and -  
8 - and we were dealing with the financial risks of the  
9 Company of our -- of our market involvement, of our  
10 drought risk, trying to come up with a single measure,  
11 and we're still -- we're still engaged in that activity.

12

13   (BRIEF PAUSE)

14

15                   MS. PATTI RAMAGE:    Question 3F asks:

16                                        "Please confirm that in '03/'04  
17                                        Manitoba Hydro chose not to maximize  
18                                        imports or use thermal to minimize  
19                                        withdrawals from storage."

20                   Can you confirm that as -- as posed in the  
21 question?

22                   MR. DAVID CORMIE:    Well, this -- this  
23 goes back to, you know, from an operation perspective,  
24 you still have to make assumptions.  And we make worst-  
25 case assumptions.  And in our worst-case assumptions we

1 assumed that we would be maximizing imports.

2           We did assume that we would use our gas  
3 combustion turbines if the winter was very cold.  
4 Fortunately, the winter of -- of '03/'04 wasn't the  
5 coldest on record. It was one (1) of the warmest on  
6 record. So to the extent that we didn't have to run our  
7 combustion turbines we didn't because we were able to get  
8 all the market -- all the energy at a much lower price in  
9 the market than we were.

10           So this is the issue of what are you  
11 planning for, and then comparing that plan to what ul --  
12 ultimately happened. We planned for a worst case. We  
13 didn't have design conditions. We didn't have the  
14 coldest winter. We didn't have the lowest flows.

15           We had the third-lowest flows, which was  
16 pretty close, but we had a warm winter, and that freed up  
17 a lot of -- of a lot of energy. That's why the  
18 combustion turbines at Brannon didn't run. They're 50  
19 percent more expensive to run than buying energy in the  
20 market.

21           That's why we ended up purchasing about 11  
22 terawatt hours of energy, because it was cheaper. The  
23 whole month of January in 2004 average export -- actur --  
24 average imports were over a thousand megawatts an hour.  
25 We maximized the purchase of low-cost energy to the

1 extent that the transmission system would allow.

2 So we did maximize imports, but it was  
3 maximizing not to serve Manitoba load because we weren't  
4 short. It was to save money because if we didn't  
5 maximize import the alternative was to put the combustion  
6 turbines on and spend more money.

7 MS. PATTI RAMAGE: And if we can turn  
8 ahead to Question 5. It asks Dr. Kubursi and Dr. Magee  
9 to confirm specific actions Manitoba Hydro would take in  
10 the first quarter in the absence of notice indicating low  
11 flows. Are you, or anyone else for that matter, able to  
12 answer the questions based on the information provided?

13 MR. DAVID CORMIE: These questions are --  
14 are very similar to the previous ones that assume that we  
15 have certain objectives in the export market, like  
16 maximizing seven (7) by eight (8) energy or seven (7) by  
17 sixteen (16) energy. That's not the way the system is  
18 planned, not -- not the way it's operated.

19 The -- our activities in the market end up  
20 being associated with how much -- what the water supply  
21 is, what actually arrives at the generating station. We  
22 may release water from the reservoir. There may be a lot  
23 of extra water flowing in downstream of the reservoir.

24 These -- these questions assume that we  
25 have an export marketing target. Export activities are

1 more a result of operations rather than the objective.  
2 The objective is to maximize revenue. What happens on a  
3 day-to-day basis is determined by the market price.

4 MS. PATTI RAMAGE: And in Question 6,  
5 information is sought regarding Lake Winnipeg historical  
6 data derivation. And if I could direct you to Question  
7 6B. Dr. Kubursi and Magee is asked to explain how pre-  
8 1958 data was derived from the Winnipeg River flows, Red  
9 River flows -- Red River flow records, and so on.

10 Are you able to respond to this question  
11 or can you?

12 MR. DAVID CORMIE: Firstly, and I think  
13 this is an issue that we've discussed before. Manitoba  
14 Hydro needs to know the flow at the main stem locations  
15 on all its rivers, the Churchill River, the Winnipeg  
16 River, Saskatchewan River, because that's where our  
17 generator st -- our generating stations are.

18 In order to know what the flows out of  
19 Lake Winnipeg were prior to the construction of a dam  
20 where you actually have a gauge where you can measure the  
21 flow going over the spillway or the flow going through  
22 the generating station, you have to use -- you have to  
23 imply what the water supply was by what the level of the  
24 lake was.

25 If you know that Lake Winnipeg is very

1 high, the availables are high. There's a relationship,  
2 it's a rating curve. We have a history of water levels  
3 on Lake Winnipeg, a -- a very good history of Lake  
4 Winnipeg going back to 1912. From that, for every month  
5 of the year we know what the outflow from Lake Winnipeg  
6 was. If you know what's going out and if you have a  
7 history of lake levels, you can figure out how much water  
8 came out of storage or went into storage. You can  
9 calculate the inflow.

10                   Some of that inflow that's coming into  
11 Lake Winnipeg is coming from the Winnipeg River, and  
12 there's a gauge on the Winnipeg River at Slave Falls that  
13 goes back to 1912.

14                   So if you have a total water supply into  
15 Lake Winnipeg based on the outflows and you subtract off  
16 the known flows like the Saskatchewan River, which starts  
17 in 1912, and the -- and the Winnipeg River which starts  
18 in 1912, what's left over is what's called the local  
19 inflow.

20                   Now a portion of that is the Red River.  
21 But whether we knew the Red River or not, it doesn't  
22 matter. It's -- the Red River contribution is in the  
23 total. The Churchill river was only -- gauging began in  
24 1928. So we have a record from 1928 on.

25                   And from that we know what the -- what the

1 contribution from the diversion would have been. Prior  
2 to 1928 we have to use statistical relationships between  
3 known precipitation and rain -- and -- and -- and -- and  
4 water flows to generate a -- a -- a -- a flow.

5 But then the -- based on all those flows  
6 going back to 1912 we can say, Here's the Manitoba Hydro  
7 water supply, this is the inflows that are available to  
8 the system and those are -- that information we gave to  
9 the -- to the -- to the doctors.

10 Now the annual hydraulic generation now  
11 depends on what generating stations you want to assume  
12 are in place if you have that water flow. For today's  
13 system we know what it is, that, you know, we've got  
14 Limestone and all the other generating stations. So if  
15 you take that water and you push it through today's  
16 system you can calculate the generation, and with -- and  
17 in an average year it's around 30 terrawatt hours, 30,000  
18 gigawatt hours.

19 In a -- but if you add -- if you add  
20 Keeyask, now you're going -- that water that's going to  
21 have gone down the Nelson River will add, on average,  
22 another 4 terrawatt hours. So the average generation of  
23 the system will go up by -- by -- by -- by that amount.  
24 And the same thing will happen when you add Conawapa. It  
25 will go up by about 7 terrawatt hours. So we take the

1 historic record and we run it through our models with an  
2 assumption of what new facilities are in place. That  
3 determines the annual hydraulic generation.

4 But that's a function of what facilities  
5 you're -- you -- you put in place. And the SPLASH model  
6 runs on a monthly time step, so we can calculate monthly  
7 hydraulic generation based on -- on -- on -- on the  
8 models abi -- ability to route the monthly flows through  
9 the system, through the generators to calculate the  
10 generation.

11 MS. PATTI RAMAGE: Are the flow locations  
12 identified in Question 6B the only ones involved in the  
13 calculation of the historic flow record?

14 MR. DAVID CORMIE: No, you need to add to  
15 that list the Churchill River. It provides 30 percent of  
16 the flow in the Manitoba Hydro system and you need to  
17 include that in order to get an in -- the complete record  
18 for Manitoba Hydro.

19 MS. PATTI RAMAGE: And does the addition  
20 of newer gauging stations at various locations and  
21 various time points change Manitoba Hydro's annual  
22 estimates of hydraulic generation?

23 MR. DAVID CORMIE: No, it doesn't. We --  
24 we have -- as long as we have the gauging stations at the  
25 location of our generating stations, having another gener

1 -- another gauging station upstream doesn't change how  
2 much water flows through the generating station.

3                   It may help you operate the system because  
4 if you have a gauge way upstream in the system, you can  
5 see the water coming or you can see the dry -- the system  
6 is drying out earlier than if you had -- you were just  
7 relying on the main stem. So we can see the flood coming  
8 down the Saskatchewan River when it starts in Calgary  
9 because we have an upstream gauge, we don't have to wait  
10 for the flood wave to arrive at Grand Rapids before we  
11 say we're in a flood.

12                   So the upstream gauges allow you to  
13 operate the power system with some kind of anticipation,  
14 but from a -- from the computer modelling perspective,  
15 the model doesn't care. It -- it only cares about how  
16 much water is actually at the main stem -- location. New  
17 gauging stations upstream don't -- doesn't change the  
18 result.

19                   MS. PATTI RAMAGE: Now, if we can flip to  
20 Question 7B, there are -- in Question 7 there's a -- a  
21 number of drought circumstances set out in -- in 7A, and  
22 7B goes on to ask the doctors to confirm correlation of  
23 these events to Manitoba Hydro's actual minimum  
24 dependable hydraulic generation.

25                   In your view, should there be a match



1 between dependable generation and what actually happens  
2 in droughts of less severity than 1936 through '41?

3 MR. DAVID CORMIE: No, there -- there  
4 shouldn't be a match. In none of those years did we run  
5 into an energy shortage. Those are droughts that  
6 occurred. Manitoba Hydro had sufficient resources with  
7 the water levels that they had in their reservoirs at the  
8 time. It wasn't necessary for Manitoba Hydro to have its  
9 reservoirs full for each one (1) of these droughts  
10 because each one (1) of these droughts is of less  
11 severity than the design drought. So, just on that basis  
12 alone there -- there shouldn't be a match even if -- were  
13 -- Manitoba Hydro were to operate to the design  
14 condition.

15 MS. PATTI RAMAGE: Question 8B asked the  
16 doctors to explain how drawing down Lake Winnipeg from  
17 seven fourteen (714) to a sub -- to seven eleven point  
18 five (711.5) over twelve (12) months -- and the months  
19 referenced are April 2040 to March 2041 -- how that draw-  
20 down could have reasonably been contemplated without  
21 Manitoba Hydro knowing the drought would end in October  
22 1941.

23 Can you comment on the premise of this  
24 question? And I -- I think we'll have to correct the  
25 years, but -- but, in general, if you could comment.



1 interpretation of this. I believe that the 2040 and the  
2 2041 are really 1940 and 1941, and they do follow, if you  
3 look on the rule curve graphic, that the lake actually  
4 was drawn down, so it's -- it's a typo here.

5           But as Mr. Cormie has indicated, it was --  
6 in that graphic, it was the design condition, and it was  
7 known that the drought would end at the end of that  
8 period, as -- as it stated, at the end of March of 19 --  
9 of -- corresponding to flows of 1941, the system was  
10 designed to survive -- to survive with those low flows  
11 ending in that time because that's when they ended. So  
12 that is the design condition, as I had indicated earlier.  
13 That's what you design for, and you empty your reservoirs  
14 at the end of your design condition.

15           MS. PATTI RAMAGE: Could you specifically  
16 respond to the question posed at 8F: Would KM agree that  
17 Manitoba Hydro's drought management strategy, rule curve,  
18 is only workable for 2036/'37 to 2042/'43 if the pattern  
19 of annual flows are predictable several years in advance?

20           MR. DAVID CORMIE: I'm not sure how the  
21 doctors could agree to that question because it confuses  
22 the rule curve with Manitoba Hydro's drought management  
23 strategy. And -- and again, it's premised on the need to  
24 predict, we're not in the business of predicting.

25           We protect against the worst case, which

1 is the '40/'41 flows. We're always in a position to meet  
2 the load under those flow conditions. Even if we don't  
3 have non-firm energy, even if we can't financially  
4 settle, the system has the capability of doing that.

5 Our drought management strategy involves  
6 at what level of reliability do we want to serve the  
7 Manitoba load from an operations perspective, and that  
8 involves selecting water flow with a certain probability  
9 of occurring, and a Manitoba load with a certain  
10 probability of occurring, and to the extent that we want  
11 to rely on non-firm imports. How much of the firm  
12 transmission do we want to rely on? And do you put  
13 assets in place to backstop the combustion turbines at --  
14 at Brandon and Sel -- at Brandon and Selkirk? And  
15 involves the ordering of coal and mobilizing the entire  
16 thermal generation for Unit 5 at Brandon.

17 That's what the drought management  
18 strategy is about. It's not about designing the -- the  
19 power system, it's about operating the power system under  
20 drought conditions.

21 THE CHAIRPERSON: Ms. Ramage, we're just  
22 going to take five (5) minutes, if that's okay.

23

24 --- Upon recessing at 4:19 p.m.

25 --- Upon resuming at 4:29 p.m.

1 THE CHAIRPERSON: Okay. Everyone is --  
2 is back.

3 Ms. Ramage...?  
4

5 CONTINUED BY MS. PATTI RAMAGE:

6 MS. PATTI RAMAGE: Mr. Cormie, I'm gonna  
7 ask you to group the next bunch of questions and that  
8 will move us forward. But, Questions 9 through 15 all  
9 deal with a -- a similar topic, and that's the impact of  
10 dif -- total unregulated monthly inflow into Lake  
11 Winnipeg with different quarterly results. But I was  
12 just wondering if you could comment on those questions as  
13 a group.

14 MR. DAVID CORMIE: Yes, and I think the  
15 premise of the question is that by looking at the  
16 unregulated inflows to Lake Winnipeg as an indicator of  
17 drought, that -- that Manitoba Hydro could -- would base  
18 its operations on that. And as we go through our  
19 operations planning process, Lake Winnipeg unregulated  
20 inflow is one (1) of the -- it's the seed that goes into  
21 the forecast.

22 So if inflows are very low, that seed  
23 starts out the forecast, and there's actually two (2)  
24 forecasts made. One (1) that says, If this is the  
25 starting point, whether it's the drought of 1936 or '29

1 or '76 or '81, what's the likely outcome. If it's really  
2 dry, what's the chance it's going to come back to average  
3 and, you know, the expected outcome. And -- and that's  
4 the kind of information that we would provide to -- as  
5 input to the IFF, what's the likely financial impact of  
6 the drought.

7                   But we also put that seed into the  
8 forecast and say, With this starting condition, these dry  
9 conditions, what's the worst thing that can happen. And  
10 if you're in a drought, the seed with the low -- and your  
11 -- and the low -- the seed to the forecast is low, you're  
12 going to get a worse case than -- than you would  
13 otherwise have. And it's that -- that worst-case  
14 analysis that -- that we protect against.

15                   And so we're not -- we're not relying on  
16 any predictive ability to say is the drought going to end  
17 or not. We just -- we take the inflows. They become the  
18 seed to the forecast. The forecast is run twice,  
19 expected outcome and worst case.

20                   And when we operate such that under the  
21 worst-case assumptions, we don't go -- we don't go short.  
22 We're not relying on a quali -- a qualitative assessment  
23 of overall conditions. We -- we look at the worst-case  
24 water flow in combination with high Manitoba loads, and  
25 we regulate the reservoirs so that we don't, after the

1 fact, regret having made releases that we should have  
2 held back in storage to protect Manitoba load.

3 MR. ROBERT MAYER: Mr. Cormie, I -- I  
4 think that's about the sixth time we've heard that  
5 somebody screwed up and assumed that you predicted  
6 droughts. Is that -- if that's the issue here, I -- you  
7 certainly made your point at this -- at this point in  
8 time. The --

9 MR. DAVID CORMIE: Well, you know, and I  
10 think it's a --

11 MR. ROBERT MAYER: I must admit, I don't  
12 understand these questions, okay.

13 MR. DAVID CORMIE: Yeah.

14 MR. ROBERT MAYER: And when I see  
15 references to 1934 and 2034 in the same question, I'm  
16 having a little difficulty with it. So I don't, quite  
17 frankly, understand these questions so I certainly won't  
18 be much influenced by any of the answers if and when I  
19 should ever get around to reading them.

20 MR. DAVID CORMIE: And -- and there --  
21 there could be a way if you had a demonstrative  
22 predictive ability to use that predictability and -- and  
23 with such a level of reliability that you would bet the  
24 power system or the -- the Manitoba load on that  
25 predictive ability.

1                   And -- and I really wish I had those  
2 powers or my people had those powers, but we don't. The  
3 -- and -- and we don't pretend to. And -- and sometimes  
4 we get it right. Sometimes we don't. But we're not  
5 relying on our predictive ability to -- when it comes to  
6 the supply reliability of energy.

7                   We -- we always assume the worst case.  
8 That worst case is exactly the same worst case that Mr.  
9 Surminski has used as the design condition for the design  
10 of the power system, which is that 1940/'41 flow. And we  
11 don't try and put a probability on it, what's the  
12 likelihood of it happening. We just say we have -- our -  
13 - our mandate is under these conditions to protect the  
14 Manitoba load. The Corporation has invested billions of  
15 dollars in facilities on the basis of that. Why, as an  
16 operator, would you then operate at a -- and -- and -- on  
17 the assumption that you're able to predict the future?

18                   If you could predict the future, then Mr.  
19 Surminski would -- would just come to me and say, Well,  
20 when do you need your next plant, Mr. Cormie, and I'll  
21 put it in for that date. We don't -- we don't do it that  
22 way. So there's a -- there's a consistency in trying to  
23 maintain the -- the level of reliability that was  
24 originally designed through the operation process and not  
25 trying to pretend that you have some ability to -- to



1 predict.

2 THE CHAIRPERSON: We -- we understand  
3 what you're saying.

4

5 (BRIEF PAUSE)

6

7 CONTINUED BY MS. PATTI RAMAGE:

8 MS. PATTI RAMAGE: And I'm -- if I could  
9 just address your comments, Mr. Mayer, is that one (1) of  
10 the reasons that we've gone into this level of detail is  
11 these are questions submitted by the Board itself, and  
12 that suggests to Manitoba Hydro that the premise of these  
13 questions is -- is a premise that the Board or its  
14 advisors believes to be the case.

15 So Manitoba Hydro believes it important to  
16 clarify those premises to ensure that -- that we're all  
17 working from accurate information. So that's the reason  
18 for going into this level of -- of detail through these  
19 questions is -- and I think we expressed that earlier  
20 when Mr. Wood was here and -- and asking about whether  
21 these questions should, in fact, be responded to and the  
22 Board's direction was yes.

23 So -- and that is why we're going into  
24 this detail. But I think Mr. Surminski also had some  
25 comments in terms of -- of the theme because I think

1 there -- there's more to it than -- than simply that we  
2 cannot predict.

3 MR. HAROLD SURMINSKI: Yes, exactly. Mr.  
4 Mayer, you say there is -- one (1) of the themes was the  
5 inability to predict, but I think there is another  
6 fundamental issue here that -- where there was a  
7 misinterpretation of what the -- that graphic -- that  
8 table of the rule curve really was and -- and it's  
9 referenced in these questions as Manitoba Hydro's drought  
10 management strategy. And in all these questions, or many  
11 of these questions, there's a recurring theme here that -  
12 - that the rule curve is the drought management strategy,  
13 and how would all these other possible flow years work  
14 out if you use that -- that particular strategy.

15 There's a flaw in that, there's a  
16 fundamental misunderstanding of what the rule curve  
17 really is. And that -- and that misunderstand caus --  
18 really spawned all these questions. So really, if -- if  
19 we clarify that that this rule curve is not the drought  
20 management strategy it's -- it's a very operations -- it  
21 is based on a very different set of factors.

22 And, furthermore, your confusion about the  
23 twenty (20) -- you're using 2041 or 2036, those in my  
24 interpretation are all typos. They -- they weren't meant  
25 to be that, I -- the way I -- they made sense if I

1 substitute the 1900s into those numbers. So it -- once  
2 we figured that out it took us a little while to -- to  
3 make sense of it, but that just added to the confusion of  
4 trying to respond to these.

5                   And Doctors Kubursi and Magee would have  
6 further difficulty in trying to make sense of this  
7 because they're further removed from any of this. So  
8 this is where we felt that they would not be in -- in any  
9 position to be able to respond to -- to many of these  
10 questions. They did not analyze Manitoba Hydro's  
11 operations during drought, they're not familiar with the  
12 history of all the previous droughts, they never talked  
13 to us about operations in this way in this kind of a  
14 detail.

15                   So I frankly cannot see how they could  
16 provide meaningful answers to, you know, 75 percent of  
17 these questions. There -- there's a few there where they  
18 could provide something that could be meaningful, but  
19 most of these questions I would not expect any meaningful  
20 answers.

21                   THE CHAIRPERSON:       We -- we follow you.  
22 Please, Ms. Ramage...?

23                   MS. PATTI RAMAGE:       And there's not many  
24 more.

25

1 CONTINUED BY MS. PATTI RAMAGE:

2 MS. PATTI RAMAGE: Question 18 deals with  
3 quantification of a five (5) year drought. Notes from  
4 the author suggest that Manitoba Hydro's calculation of  
5 six point five (6.5) cents per kilowatt hour as the lost  
6 export price is not consistent with contract prices of  
7 five (5) to six (6) cents would be -- five (5) to six (6)  
8 cents per kilowatt hour would be the only exports in  
9 play.

10 Can you comment?

11 MR. HAROLD SURMINSKI: I haven't  
12 rechecked my information exactly on the six point five  
13 (6.5), but I -- I think generally this is derived from --  
14 we provided a summary of the drought impact and we  
15 provided the impact on revenues and the impact on  
16 generation. So one can determine the average price of  
17 the deficiency or the reduction in generation by working  
18 backwards or just dividing the change in revenue by the  
19 change in energy.

20 So we don't use a price of six point five  
21 (6.5) cents as the lost export price, it falls out of the  
22 calculation. It -- it's based on a blend of many  
23 resources. It's imports and exports in the off-peak  
24 periods, as well as on-peak with a variety of prices, so  
25 it -- it averages out to that. It falls out as being the

1 cost of reduction in energy, but it's -- it is only an  
2 after-the-fact result. It -- it's not an input as the  
3 value of the lost energy.

4 MS. PATTI RAMAGE: And if we jump to  
5 question 21, can you comment on the premise that Manitoba  
6 Hydro faces critical decision points at various times  
7 each year?

8 MR. DAVID CORMIE: Yes. I -- I think I  
9 can say that we face critical decision points each  
10 spring, especially in those springs where there is no  
11 snow melt indicated, and you need to start conserving  
12 storage, not because you want to, but because you have to  
13 protect storages should the dry conditions persist.

14 But the critical decision points suggested  
15 in -- in section A, that Manitoba Hydro would -- would  
16 make decisions about should we be in the off-peak market  
17 in the summer or the spring, or should we enter into  
18 transactions in the market, implies a market-driven  
19 decision-making process, and it's not driven by the  
20 market; it's driven by what we need to do to protect  
21 Manitoba load.

22 Once we're satisfied that there's a  
23 surplus available, then the question is: How do you  
24 manage your reservoir lease to spread that surplus out  
25 over time so you can maximize revenue? But we're not

1 saying, Oh, it's February, we need to decide what we're  
2 going to do in the off peak in July. That's just not --  
3 not the process.

4 MS. PATTI RAMAGE: And if we then jump to  
5 Question 23A, the doctors have been asked to speculate as  
6 to whether Manitoba Hydro could significantly mitigate  
7 financial risks associated with drought by setting out  
8 specifically defined constraints on exports based on  
9 hydrological conditions at various decision points,  
10 examples of which are provided. Can you comment on this  
11 proposition?

12 MR. DAVID CORMIE: The -- the financial  
13 risks that the Corporation faces from drought are the  
14 lack of -- are the lack of water. There's a --  
15 potentially a 15 billion kilowatt hour reduction in  
16 hydraulic generation because there's no water flowing  
17 down the river. There's nothing you can do about that,  
18 and there's no way we can replace that energy. The  
19 question is -- and there's no way you can operate your  
20 storages to make that 15 billion disappear. There's  
21 going to be a cost to the drought, and the cost is  
22 because it didn't rain, there's not enough water to run  
23 your generating system.

24 Now you have a choice of moving the water  
25 that you do have around in time to help avoid the periods

1 of shortage in the highest cost periods and -- and  
2 presumably make the -- make the cost of shortages less,  
3 because you're purchasing in low-cost periods. That ends  
4 up being a -- that -- that strategy only works if you can  
5 guess whether you're in a rising market or in a falling  
6 market.

7                   In a rising market, you would say: I know  
8 the market's going to rise. I better conserve water in  
9 storage today, because it's going to be val -- more  
10 valuable to me later in time. You know, you might make  
11 some money on bet -- on guessing on that. In a falling  
12 market, you'd say: Oh, I'm going to sell what I have now  
13 and -- and buy it back later. So, to some extent, you  
14 can use storage to -- to do that.

15                   Not going to make a big difference to  
16 Manitoba Hydro's \$2 1/2 billion drought risk. You can  
17 maybe affect that by a couple of hundred million dollars.  
18 Whether you draw down Lake Winnipeg one (1) extra foot or  
19 not, that deprives the future of additional generation.  
20 You've just advanced the generation by moving the water  
21 out of storage today.

22                   But having a strategy associated with  
23 having rules with regard to the export market alone in  
24 order to manage the financial risk doesn't make the water  
25 reappear that's -- that's not in the system. And it

1 would be a very export-focussed strategy rather than  
2 looking at how do I manage the overall financial risk  
3 associated with the drought, and what -- and to deal with  
4 the issues like: what happens if the drought is worse  
5 than you've assumed? Like, what happens if you have what  
6 Mr. Rose has said? Oh, the drought is worse than the --  
7 the historic drought.

8                    Holding water in storage is -- you know,  
9 you're going to get your money for that. The value will  
10 come eventually. Gambling that you know the future,  
11 driven by some export rules I think is speculative and  
12 it's not something that Manitoba Hydro entertains.

13                    MS. PATTI RAMAGE: And if we could go  
14 back one (1) question, to 22E, it asked that:

15                    "Please comment on the profitability of  
16 Manitoba Hydro's off-peak summer sales  
17 of market prices in the one (1) to  
18 three (3) cent kilowatt hour range when  
19 repurchased, if required, in winter may  
20 command higher prices of two (2) to  
21 four (4) -- may command higher prices  
22 and that's in the two (2) to four (4)  
23 cent kilowatt range."

24                    MR. DAVID CORMIE: This is a -- an  
25 interesting aspect of our -- our system. And it -- and



1 it -- and it is -- does raise questions. Why would you  
2 sell energy in the summertime at -- at one (1) cent and  
3 then the next winter buy it back for five (5) cents, if -  
4 - if that was the case?

5 We only sell it -- we only sell in the  
6 off-peak in the summer because we can't store it. The  
7 reservoir is full. Lake Winnipeg is above seven fifteen  
8 (715) and you're forced to make the reservoir releases.  
9 The water's going down the river. If we have the  
10 opportunity of salvaging the value by selling it for a  
11 cent, we will -- we will take the cent rather than  
12 spilling it.

13 But it's not because we have chosen that  
14 the one (1) cent is a profitable transaction compared to  
15 the alternative of carrying it over in the winter. We  
16 would carry it over to the extent that we could. But we  
17 have licensed constraints that force you to make the  
18 releases. It would be great to take advantage of more  
19 storage in the system under high water.

20 There could be some value to the Utility  
21 from doing that, but it comes at a tremendous cost and  
22 it's not allowed under our licences. And -- and if -- if  
23 you go from a period of very high flows into a period of  
24 very low flows like we did in the winter of '06/'07, we  
25 had -- we were forced to spill out of Lake Winnipeg only

1 to buy that energy back later on.

2                   That wasn't because we wanted to do that.  
3 Lake Winnipeg was full in the spring. The releases had  
4 to be made. The water had to be spilled, because we have  
5 a licence that has to be respected. And if -- if -- if  
6 the water supply dries up after that, that's the nature  
7 of Manitoba Hydro's power system and it -- it's just not  
8 possible to transfer at times some summer surpluses into  
9 the winter.

10                   MS. PATTI RAMAGE: And if I could have  
11 you turn to Question 25A, which asks whether the doctors  
12 would accept that when Manitoba Hydro favours financial  
13 settlements which avoid higher transmission costs in the  
14 MISO market, this also suggests that the purchases to  
15 meet domestic load shortfalls will be faced with higher  
16 transmission charges.

17                   Is the suggestion that purchases to meet  
18 domestic load, that they will be faced with higher  
19 transmission charges? An accurate suggestion.

20                   MR. DAVID CORMIE: If Manitoba Hydro was  
21 using non firm transmission, the twenty-five (25) cents a  
22 megawatt hour that we might have to pay for using that  
23 transmission service might be an issue, but it's small  
24 relative to the cost of the energy, which might be in the  
25 order of, you know, twenty (20), thirty (30), forty

1 dollars (\$40).

2                   So transmission costs are a factor, but  
3 they're -- they're not the -- of the order of magnitude  
4 that financial -- the benefits of financial settlement  
5 provide. If you can financially settle rather than  
6 physically delivering, and if physically delivering meant  
7 running your combustion turbines and spending 50 percent  
8 more to supply the energy, that 50 percent is probably in  
9 -- measured in terms of thirty (30), forty (40), fifty  
10 dollars (\$50) a megawatt hour.

11                   We're not running the -- the -- the --  
12 we're -- we're financially settling to save the fifty  
13 dollars (\$50), not to avoid the transmission services  
14 charges. So financial settlement is a much more economic  
15 way of serving Manitoba load. There may be -- may -- may  
16 or may not be some incremental transmission service  
17 charges avoided through that, but that's not the driver.  
18 We're not trying to minimize transmission costs.

19                   And to the extent that we have to import  
20 to serve Manitoba load, Manitoba Hydro has the rights to  
21 the firm transmission. Those rights are there now. They  
22 are -- they are -- they are -- we paid for those rights.  
23 We have no more incremental costs associated with them.  
24 And it's not a factor in -- in our decision.

25                   MS. PATTI RAMAGE: And finally, if we

1 turn to question 26 which deals with the concept of a  
2 drought which impacts the entire MISO region, can you  
3 advise what is the likelihood of Manitoba Hydro and the  
4 remainder of the MISO region being in a drought at the  
5 same time?

6 MR. DAVID CORMIE: It's -- it -- it's  
7 completely possible that the drought is widespread across  
8 North America. What -- what protects Manitoba Hydro from  
9 the MISO market reacting to a drought is that less than 1  
10 percent of the energy produced in MISO comes from hydro.

11 So whether there's a drought or not, it  
12 doesn't change the market price. So these -- the  
13 questions having to do with broad drought affecting the  
14 entire region really don't have an affect on market  
15 prices in -- in MISO.

16 The extent that MISO feels the effect of a  
17 drought, it's because Manitoba Hydro's the purchaser.  
18 But, again, relative to the energy surpluses that are  
19 available in MISO, our needs, even under maximum drought  
20 condition, are small relative to the surplus supplies of  
21 -- of energy that are available from MISO, so.

22 MR. ROBERT MAYER: I find that -- I find  
23 that question rather interesting in light of the fact  
24 that on Saturday when I was at The Forks there was one  
25 (1) of these plaques on -- where you walk down, and then

1 run into the water before you get to where you really  
2 wanted to be, saying something about a North American  
3 wide drought some eight hundred (800) years ago is  
4 recorded in the aboriginal history.

5 MR. DAVID CORMIE: Yes, and -- and  
6 widespread drought across the Great Plains is it -- it's  
7 recorded not with the precision that Water Survey of  
8 Canada might measure, but the fur traders noted it, the -  
9 - the aboriginal knowledge recognizes it, but -- but it -  
10 - it's not a material factor when it comes to a thermal  
11 based util -- thermal-based system that MISO is  
12 essentially.

13

14 CONTINUED BY MS. PATTI RAMAGE:

15 MS. PATTI RAMAGE: So if we focus on the  
16 confirmation sought in 26B, can you confirm that drought  
17 situations -- Manitoba Hydro's drought con -- situation  
18 would coincidentally result in higher electricity demand  
19 in the entire MISO region in the summer?

20 MR. DAVID CORMIE: To the extent that  
21 precipitation and temperature aren't correlated, they're  
22 -- they are independent. I don't think that drought in  
23 Manitoba drives up electricity demand in the summer,  
24 which is driven by temperature in MISO footprint.

25 MS. PATTI RAMAGE: Could you confirm that

1 Manitoba Hydro's drought situation would consu -- would  
2 coincidentally result in lower hydraulic generation in  
3 South Dakota and other states with hydro resources?

4 MR. DAVID CORMIE: The hydraulic  
5 generation in South Dakota and North Dakota on the  
6 Missouri River is fed from the Missouri which rises up in  
7 -- in Wyoming and Montana.

8 There could be a circumstance where the  
9 drought in the western US and western Canada coincide.  
10 That would affect flows on the Saskatchewan River, but  
11 flows on the Saskatchewan River are only one (1) of the  
12 supplies of water in -- in the Manitoba system, so there  
13 may or may not be a correlation.

14 But, again, relative to the total  
15 generating fleet in the United States, hydro is a very,  
16 very small portion. And whether you add the hydraulic  
17 generation on the Missouri River with Manitoba Hydro,  
18 it's still not going to make a significant difference to  
19 the price in the MISO footprint.

20 MS. PATTI RAMAGE: And, finally, can you  
21 confirm that Manitoba Hydro's drought situation would  
22 coincidentally result in higher market prices within the  
23 entire MISO region, which is the last confirmation  
24 sought?

25 MR. DAVID CORMIE: Well, we -- we had

1 discussed this previously, and the Chairman and I think I  
2 had the discussion about is there effect. You can  
3 calculate an effect. Is it significant? It's not  
4 significant.

5                   Manitoba Hydro's thousand megawatts will  
6 move the market price a little bit. It'll be a little  
7 bit higher when we're a buyer, and it's a little bit  
8 lower when we're selling, but it -- it's measured in the  
9 -- in terms of pennies. It's not measured in terms of --  
10 of ten (10) or twenty (20) or thirty dollars (\$30) a  
11 megawatt hour.

12                   MS. PATTI RAMAGE: Thank you. And,  
13 finally, Mr. Surminski, at the beginning of this line of  
14 questioning you referenced that the -- the disclosure of  
15 the rule curve, of SPLASH's rule curve, came about as the  
16 result of its release in the Kubursi/Magee Report.

17                   Can you comment on whether that report  
18 contains commentary similar to what we see in the  
19 questions, in these pre-ask questions?

20                   MR. HAROLD SURMINSKI: No. In fact, I  
21 have just reviewed the area in the KM Report. And  
22 perhaps if I indicated earlier and attributed the  
23 misunderstanding to -- to KM, it's not -- it's not that  
24 they were the messenger in this case. They -- they were  
25 the messenger that provided this graphic in their report

1 and their description of it, actually, is -- is quite  
2 good in -- in the report. It -- it does not perhaps  
3 qualify the limitations of it, but the description they  
4 have in their report is accurate because they got it from  
5 our documentation.

6                   It -- it was -- so they were the messenger  
7 that provided this and somehow following that the --  
8 there was a misunderstanding on exactly what this  
9 represented and the whole theme of -- of questions  
10 followed from the misunderstanding.

11                   So I would just like to indicate that, you  
12 know, it wasn't KM that actually had the misunderstanding  
13 of -- that this is not a drought management strategy.

14                   MS. PATTI RAMAGE:   And with that, Mr.  
15 Chairman, that subject to -- as indicated at the outset,  
16 we haven't seen the answers to Dr. Kubursi and Magee's  
17 undertakings or the undertakings of the -- or, there --  
18 there are still some outstanding undertakings of various  
19 witnesses.

20                   So in the unlikely event that we had any  
21 further questions, I -- I would just caution it's a  
22 possibility, but we certainly hope not, but that would  
23 close our rebuttal/re-direct of the panel. And I think  
24 the panel is now open for questions.

25                   THE CHAIRPERSON:   Mr. Peters, perhaps we



1 should take five (5) minutes.

2 MR. BOB PETERS: We could. I should just  
3 confirm with My Friend Ms. Ramage that she's satisfied  
4 she's had the opportunity to speak with Messrs. Kuczek  
5 and Wiens about possible re-examination with them  
6 tomorrow morning.

7 MS. PATTI RAMAGE: Thank you, Mr. Peters.  
8 I had completely forgot about Mr. Kuczek. Mr. Wiens, I  
9 think we're clear on, but Mr. Kuczek is out of town so we  
10 haven't been able to speak to him if he's had any -- if  
11 there was any points he wished to have re-direct or  
12 rebuttal on, so I appreciate the reminder.

13 And while I'm here, the -- oh, one (1)  
14 other thing is Manitoba Hydro does have available its  
15 undertaking list that you -- the Chairman had asked for  
16 last week and that may assist parties tomorrow with --  
17 this is a list up to -- I don't think it includes this  
18 week and there shouldn't be a lot from Manitoba Hydro  
19 this week, but it gives the parties up to transcript --  
20 let's see, Undertaking Number 139.

21 THE CHAIRPERSON: Very good. Given that  
22 we're closing in on the -- the end of the evidentiary  
23 portion, perhaps we should take just the 5 minutes and  
24 then we'll come back.

25

1 --- Upon recessing at 4:57 p.m.

2 --- Upon resuming at 5:01 p.m.

3

4 THE CHAIRPERSON: For once -- for once  
5 we -- we actually met our timeline. I don't think we  
6 need you panel. I'll call on Mr. Peters to summarize.

7 MR. BOB PETERS: I just should indicate  
8 and -- I'll -- I'll look to my friends in the room for  
9 confirmation of this proposal. We -- we know that Ms.  
10 Ramage may or may not have questions of re-examination  
11 with Mr. Kuczek tomorrow, but the Board and the parties  
12 will know that with some certainty at 9:30 in the  
13 morning.

14 Following -- whether we do or don't have  
15 questions -- or, whether Manitoba Hydro does or doesn't  
16 have questions of Mr. Kuczek, he will be here tomorrow as  
17 part of a panel of Manitoba Hydro's witnesses to respond  
18 to questions that any of the parties have based on the  
19 exhibits and undertakings that Manitoba Hydro has filed  
20 to date.

21 The list -- I haven't studied it in depth,  
22 but it appears that almost all of them, according to  
23 Manitoba Hydro's records, have been answered, but there  
24 may be a couple that still aren't; and if they aren't  
25 those may have to be dealt with by way of written

1 questions, should there be any. And I'm not expecting  
2 parties to have questions on all one hundred and fifty-  
3 four (154) Manitoba Hydro exhibits. Although I'll see  
4 what happens tonight.

5                   So I'm -- I'm suggesting, Mr. Chairman, we  
6 -- when we come back tomorrow morning, we'll start with  
7 Ms. Ramage to tell us if she has questions of Mr. Kuczek  
8 or not. Following that, then we will ask our questions  
9 in order of this panel.

10                   Now, there is a limitation that Ms. Ramage  
11 and Ms. Boyd have alerted the Board to and, that is, that  
12 a couple of the panel members are not available next  
13 week. It is my expectation that we will complete the  
14 questioning tomorrow. We have asked counsel for some  
15 estimates as to the time they would like to protect to  
16 ask for their questions on the undertakings, and I'm not  
17 aware of that time changing materially, perhaps except  
18 mine.

19                   But, that said, I am prepared to have My -  
20 - My Friend, Mr. Williams, precede me if he chooses, or  
21 Mr. Gange maybe. He and I had a brief discussion. If  
22 Mr. Gange wants to precede me, he's welcome to do that,  
23 because his questions will be for a witness that I expect  
24 will not be available should, for any reason, this matter  
25 have to be put over to the following week.

1                   MR. WILLIAM GANGE:    We -- we do have a  
2   few questions for Mr. Kuczek.  We don't have any  
3   questions for -- I don't believe we -- oh, we don't.  
4   Well, we do have a few questions for Mr. Kuczek, and --  
5   and I believe that he's the problem child in this  
6   process.

7                    So if -- we -- we will need -- we will  
8   need to be sure that we're on tomorrow.  So -- so, Mr.  
9   Peters, I -- I do not expect that we would be more than  
10  half an hour, which was what my estimate was, and -- and  
11  we're ready to go whenever -- whenever the Chair calls.

12                   MR. BOB PETERS:    All right.  That's  
13  helpful.

14                   MR. ROBERT MAYER:   If I can just get a  
15  couple -- we keep talking about "if."  At this point in  
16  time, my ability to come back next week, if required, is  
17  rapidly running out, and I have been assuming, since we  
18  went into speed-up mode a little earlier this week, that  
19  we're not going to use the Monday, Tuesday, Wednesday  
20  that we'd originally talked about.

21                    And if I am incorrect in this assumption,  
22  tell me, because I don't have much time to make those  
23  reservations if I'm coming back.

24                   MR. WILLIAM GANGE:    Mr. Vice-Chair, we've  
25  given our estimate, which is half an hour, and -- and I -

1 - I don't expect that we will go thirty-one (31) minutes.

2 MR. BYRON WILLIAMS: I've not -- I'm not  
3 sure I was courteous enough to provide Mr. Peters with an  
4 estimate. I'm happy to defer to him time-wise, and,  
5 certainly, if there's time left over, I wouldn't expect  
6 that if we do have any questions, that we would -- we  
7 would take a considerable amount of time, so --

8 MR. ROBERT MAYER: We had a number of  
9 figures.

10 MR. BYRON WILLIAMS: Did you? Then it  
11 might have been from one (1) of my colleagues. I'm not  
12 sure the --

13 MR. ROBERT MAYER: But you want an hour.

14 MR. BYRON WILLIAMS: That would be more  
15 than enough, and I would be prepared to -- to sac -- to  
16 go down a bit. In -- in my -- I guess -- just -- there  
17 are -- it looks like there's -- are -- am I correct in  
18 that there are two (2) undertakings outstanding, being  
19 119 and 137 -- 119 I --

20 MS. PATTI RAMAGE: The -- the two (2)  
21 that are under -- that are outstanding on the list are  
22 the Power Smart annual review and the new horm -- home  
23 standards program. The list does not include the -- the  
24 last request from the Chairman. It was -- it was  
25 finished before those were made, so those are the only

1 other matters to be addressed.

2 MR. BYRON WILLIAMS: And do we have an  
3 update on the -- the undertaking 119, what its ETA is?  
4 That's the Power Smart one.

5

6 (BRIEF PAUSE)

7

8 MS. PATTI RAMAGE: Maybe we can provide  
9 an update in the morning on that. I'll go back to the  
10 office and check.

11 THE CHAIRPERSON: Okay. I think if the -  
12 - if the various counsels needs to confer, please go  
13 ahead. What about Mr. Hacault and MIPUG?

14 MR. BOB PETERS: Well, again, I've  
15 received from him an estimate prior, and it's included on  
16 my time line.

17 THE CHAIRPERSON: So he's aware of  
18 tomorrow morning at 9:30?

19 MR. BOB PETERS: Yes, I believe, and I  
20 think Mr. Bowman is nodding in the affirmative that his  
21 counsel is aware. So, with that, I hope the Vice-Chair  
22 takes great comfort in that there is every expectation  
23 that we will be finished tomorrow, and in a timely way.

24 THE CHAIRPERSON: Okay. Thank you.

25 MS. PATTI RAMAGE: If I could add just

1 one (1) more so the parties are aware, just to throw a  
2 little fly in the ointment, but we -- we can manage it,  
3 is that Ms. Boyd has just advised me that Mr. Kuczek is -  
4 - is available in the morning. So if -- if we could just  
5 adjust so the parties having questions for him get that  
6 opportunity in the morning.

7 THE CHAIRPERSON: We'll start with him,  
8 yes. Yes. Okay. Well, we'll stand adjourned. We'll  
9 see you tomorrow morning at 9:30, and we do hope to end  
10 the evidentiary portion with possible receipt of a few  
11 undertakings subsequent in written form.

12

13 (PANEL RETIRES)

14

15 --- Upon adjourning at 5:08 p.m.

16

17

18 Certified Correct,

19

20

21

22

23 \_\_\_\_\_  
Cheryl Lavigne, Ms.

24

25