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MANITOBA PUBLIC UTILITIES BOARD

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

Before Board Panel:

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

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
March 22, 2011
Pages 4543 to 4760

1 APPEARANCES

2 Bob Peters) Board Counsel

3 Anita Southall (np))

4

5 Patti Ramage) Manitoba Hydro

6 Marla Boyd)

7

8 Byron Williams) CAC/MSOS

9 Myfanwy Bowman (np))

10

11 Antoine Hacault) MIPUB

12

13 Michael Anderson (np)) MKO

14

15 William Gange) RCM/TREE

16

17 Delanie Coad (np)) SCO

18

19 Denise Pambrun) City of Winnipeg

20

21 Gavin Wood) Independent Experts

22

23

24

25

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

2

3 THE CHAIRPERSON: Okay. Good morning,
4 everyone. Not too late a start. Ms. Boyd, you have some
5 undertakings?

6 MS. MARLA BOYD: Good morning, Mr. Chair,
7 Mr. Vice-Chair. Yes, we do have two (2) undertakings to
8 file this morning.

9 The first is the response to Manitoba
10 Hydro Undertaking number 78, with respect to Manitoba
11 Hydro verifying the information to calculate the \$153
12 million that was referenced in the ICF report. And we
13 would propose to file that as Manitoba Hydro Exhibit
14 number 81.

15

16 --- EXHIBIT NO. MH-81: Response to Undertaking 78

17

18 MS. MARLA BOYD: The second one is
19 related, Manitoba Hydro Undertaking number 80, which is
20 from transcri -- transcript page 3,793, and that was a
21 request to update portions of that, and there's an
22 explanation there as to why that doesn't provide
23 meaningful information. And we would propose that that
24 be marked as Exhibit number 82.

25

1 --- EXHIBIT NO. MH-82: Response to Undertaking 80

2

3 THE CHAIRPERSON: Thank you. Mr.
4 Peters...?

5 MR. BOB PETERS: Thank you. Good
6 morning, Mr. Chairman, Mr. Vice-Chair, ladies and
7 gentlemen.

8

9 MANITOBA HYDRO PANEL:

10 VINCE WARDEN, Resumed

11 ROBIN WIENS, Resumed

12 LLOYD KUCZEK, Resumed

13

14 CONTINUED CROSS-EXAMINATION BY MR. BOB PETERS:

15 MR. BOB PETERS: Mr. Kuczek, we adjourned
16 yesterday in mid-question, mid-answer. I think I had
17 posed the question as to Manitoba Hydro's -- as to when
18 Manitoba Hydro had last considered and looked at whether
19 a low income rate would be advisable. Had you given that
20 more thought?

21 MR. LLOYD KUCZEK: Yes, actually, I've
22 given a few things some thought, so I've got five (5)
23 points that I want to make, and the -- the first one is
24 just clarification on what I said yesterday in terms of
25 what went to EC. The Affordable Energy Program report

1 was prepared by us at Manitoba Hydro, and that actually
2 was taken to the Board.

3 As part of that report, the option of
4 offering -- well, I guess all the dimensions of an
5 affordable energy program were identified, and that was
6 filed with -- the report was filed with this Hearing.
7 But one (1) of the elements of that program, or
8 affordable energy program, is a rate component.

9 So that was taken as part of that package
10 to the Board. The Board did see that. And our Board did
11 approve the amendments to our affordable energy program
12 that we currently have adopted, so just clarification in
13 terms of what I did say yesterday. And I didn't mention
14 the Board, but I said it didn't go to EC.

15 MR. BOB PETERS: Just to interrupt after
16 -- if you've finished that first point, Mr. Kuczek.

17 MR. LLOYD KUCZEK: Sure.

18 MR. BOB PETERS: While the affordable
19 energy program report had a discussion about a low income
20 rate in it, you're telling this Board that the Manitoba
21 Hydro-Electric Board did not instruct management or
22 executive to proceed further with that?

23 MR. LLOYD KUCZEK: That's correct. They
24 -- they had approved what was recommended in -- within
25 the report.

1 MR. BOB PETERS: All right. I didn't
2 want to interrupt your other four (4) points, but.

3 MR. LLOYD KUCZEK: Okay. The second
4 point was related to whether or not we have considered
5 the -- the issue of offering a rate program for low
6 income program -- or customers. And I guess I was little
7 hesitant yesterday in terms of responding to that. You
8 know, I -- I wasn't sure exactly what Mr. Rose had
9 discussed, but we have filed with the -- with this
10 Hearing our rebuttal evidence related to that, and I
11 think that addresses the -- the issue, and that's why it
12 wasn't discussed in detail and only discussed at a high
13 level with -- with my predecessor.

14 But our position is generally that
15 affordable issues are -- including energy affordability
16 is outside Manitoba Hydro's legislated mandate. That's
17 within the rebuttal evidence in pages 88 to 92.

18 In Canada, our position is affordability
19 issues are the responsibility of the provincial
20 governments. And the last point related to that is, and
21 we stated in there, using Manitoba Hydro funds for
22 addressing government responsibilities would be
23 inappropriate and outside the Corporation's legislative
24 authority, so. I'm just repeating what's in our rebuttal
25 evidence. And we wouldn't have spent a lot of time

1 thinking about it because of those reasons.

2 My third point is that we do recognize
3 that it is within our mandate to pursue efficiency in the
4 end use of electricity. And what becomes blurry and grey
5 at times I think with some people is that does impact the
6 affordability of energy, but that is not the driver or --
7 in our decision making, to pursue energy efficiency
8 programs. It results in energy being more affordable.
9 And we think that's great, but that is not our objective.

10 The fourth point that I wanted to clarify
11 was related to the societal test that we talked about.
12 And I just wanted to make it clear that we totally
13 recognize that you can use other benefits within the
14 societal test or the res -- total resource cost test.
15 But I think it gets confusing to some people and they
16 think in terms of that it will allow Manitoba Hydro to
17 spend more ratepayers' money to pursue energy efficiency
18 programs, but really all that allows you to do is it's a
19 screening tool to look at the opportunities that make
20 sense regardless of who pays and then you'd use the other
21 metrics to help you decide how much money you should be
22 investing on -- in terms of the ratepayers to pursue that
23 -- those programs.

24 And -- and the fifth point that I wanted
25 to make was related to cost effectiveness and how

1 important we think it is in terms of designing the
2 programs and -- and that -- and we talked about Mr.
3 Dunsky and the -- his report and his recommendations.
4 And I just wanted to make a point about when we hired Mr.
5 Dunsky it was a -- an effort to do a brainstorming
6 assessment of what opportunities or more opportunities we
7 could pursue, and we did not, within that scope, talk
8 about cost effectiveness.

9 So a lot of these opportunities that were
10 identified by -- by Mr. Dunsky didn't go into whether or
11 not they were cost effective. So I think that was
12 important to point that out. Those are my five (5)
13 points, sir.

14 MR. BOB PETERS: Thank you, Mr. Kuczek.
15 Dealing with your second point about rate for low income
16 customers being considered by Manitoba Hydro to be
17 outside of its mandate, can you explain to the Board why
18 it's then within Manitoba Hydro's mandate to propose a --
19 a rate for industrial customers that absolves them of
20 responsibility for payment of a certain portion of their
21 rate?

22 MR. ROBIN WIENS: Mr. Peters, what we saw
23 in the case of a number of our large industrial customers
24 back in 2009 was a situation in which many of them were
25 forced to operate outside the parameters that we

1 considered the rate had been designed for.

2 In effect that their kilowatt -- cost per
3 kilowatt hour as a result of the demand in energy
4 structure of the rate that they faced had increased
5 significantly because they were operating on -- if they -
6 - if their typical operation had been a two (2) or three
7 (3) shift operation they were down to one (1) shift, or
8 they were into batch processing.

9 So the demand charges were causing their
10 rate to, in effect -- their -- their unit rate, their
11 unit cost of energy, and therefore, their cost of
12 production to escalate considerably.

13 Manitoba Hydro did not undertake any
14 measure within that demand concession program that would
15 cause their unit cost of energy to decline. In fact,
16 what it did was it put a 10 percent upper ceiling -- 10
17 percent increase, upper ceiling on the rate that they had
18 normally paid within the past twelve (12) months.

19 MR. BOB PETERS: Good morning and thank
20 you, Mr. Wiens. Mr. Wiens, dealing with that industrial
21 customer example, Manitoba Hydro considered there would
22 be an energy burden for the industrial customers if their
23 unit rate exceeded 10 percent of what they were paying.
24 Isn't that correct?

25 MR. ROBIN WIENS: Manitoba Hydro

1 considered that in the circumstances in which these
2 customers found themselves, that there would be a burden
3 on them, if you want to use the term, related to the cost
4 of energy.

5 MR. BOB PETERS: And the measurement of
6 the burden was based on the unit cost of energy?

7 MR. ROBIN WIENS: That's how we design
8 and control the program.

9 MR. BOB PETERS: And the only reason you
10 can't measure the same burdens on, say, residential
11 customers is that you don't have a three (3) part rate
12 for residential customers. You don't have a separate
13 demand charge?

14 MR. ROBIN WIENS: We don't have a
15 separate demand charge for residential customers.

16

17 (BRIEF PAUSE)

18

19 MR. ROBERT MAYER: So putting it as
20 another fine gentleman once said in the vernacular,
21 corporate welfare's okay, and within your jurisdiction,
22 but individual welfare for the poor is not?

23 MR. ROBIN WIENS: Mr. Mayer, we did not
24 perceive this as corporate welfare.

25 MR. VINCE WARDEN: I might just add to

1 that. Manitoba Hydro within -- within its service
2 extension policies does have a provision for billing
3 concessions for unusual circumstances. We -- Manitoba
4 Hydro originally interpreted the situation we were in,
5 and customers were in, as an unusual circumstance and
6 within the service extension policies of Manitoba Hydro
7 to make -- to make a billing concession.

8 We informed the PUB of what -- our
9 intention at the time, and the PUB preferred that we
10 handle this as a rate application rather than as a
11 billing concession. So there is a bit -- bit of a
12 history to this, Mr. Mayer.

13 MR. ROBERT MAYER: I'm aware of that Mr.
14 Warden, I think we still have that on the table for this
15 hearing at some point in time as well, don't we?

16 MR. VINCE WARDEN: Yes.

17

18 CONTINUED BY MR. BOB PETERS:

19 MR. BOB PETERS: Yeah. Mr. Warden, Mr.
20 Wiens, does Hydro acknowledge that for those, I call them
21 "industrial customers," that are eligible for the demand
22 concession that Manitoba Hydro is asking be made
23 permanent in this hearing that that amounts to a subsidy
24 for those customers?

25 MR. VINCE WARDEN: Well, it does amount

1 to a subsidy from what they would otherwise have paid had
2 we applied the -- not applied the billing concession that
3 we had applied to the PUB to approve.

4 MR. BOB PETERS: Mr. Kuczek, just turning
5 to the fourth point you raised in terms of a societal
6 test. That was a test recommended be used I think by Mr.
7 Dunsky, is that -- do I recall correctly?

8 MR. LLOYD KUCZEK: Correct.

9 MR. BOB PETERS: And your evidence this
10 morning is that it does serve a useful purpose as a
11 screening tool?

12 MR. LLOYD KUCZEK: Yes, it -- it's very
13 similar to the total resource cost test that we're using
14 except it's including generally people -- what they, I
15 mentioned this yesterday, include is this externality
16 benefits as well. And generally, as I understand it,
17 most utilities that do use it just include the
18 environmental benefits, and there's been some discussion
19 I know amongst some -- some individuals involved in this
20 area that talk about using a 10 percent adder just as an
21 all-encompassing adder.

22 But again, it's just a -- it's used as a
23 screening tool to determine whether or not you should
24 pursue a certain opportunity as opposed to how much you
25 are going -- you're going to invest in that opportunity.

1 MR. BOB PETERS: Would the Board
2 understand it correctly that by using the societal tests
3 it would essentially lower the hurdle for programs being
4 accepted into the demand-side management program?

5 MR. LLOYD KUCZEK: It's smoke and
6 mirrors. We -- we actually thought about doing this a
7 couple of years ago, we discussed it internally, and if
8 we did what some other utilities would be doing, all we
9 would be doing is creating another column called "the
10 societal test" and adding 10 percent to all the metrics
11 that are called "TRC" today. And -- and theoretically,
12 it doesn't really change a lot in terms of the programs
13 or initiatives that would be screened into the pool of
14 initiatives that we're currently pursuing.

15 And I'm not sure that there actually are
16 any that would fall into that bucket other than what
17 we're pursuing today.

18 MR. BOB PETERS: Does that last answer
19 suggest that if Manitoba Hydro dropped the total resource
20 cost test and went to the societal test it wouldn't
21 change any of the programs?

22 MR. LLOYD KUCZEK: That's actually the
23 discussion we had a couple of years ago when we talked
24 about using the societal test. And we're still
25 discussing whether or not we'll include it but it's just

1 to make the point to everybody involved that that's
2 really what it is all about. And when people talk about
3 it it -- it's -- there's no magic to it it's just exactly
4 what it is, it's about a 10 percent adder. And you can
5 discuss whether it should be 20 percent, and I'm sure
6 when we move out into the future we'll be discussing
7 that. And so it's just a question of how much you add on
8 to it and what's included in -- in the -- the additional
9 benefits.

10 MR. BOB PETERS: Thank you, Mr. Kuczek.
11 Mr. Kuczek, I'd like to turn to Tab 59 of the book of
12 documents. And Mr. Chairman, Mr. Vice-Chair, Tab 59 of
13 Board counsel's third book of documents marked as PUB
14 Exhibit 18 is extracts from a 2009 residential energy use
15 survey report, and it also -- the entirety of the report
16 of course is found as Appendix 50 in Manitoba Hydro's
17 filing.

18 Do you have it, Mr. Kuczek?

19 MR. LLOYD KUCZEK: I do.

20 MR. BOB PETERS: This was a survey
21 conducted by Manitoba Hydro?

22 MR. LLOYD KUCZEK: Correct.

23 MR. BOB PETERS: And in terms of
24 identifying the low income parameters, on page 115, one
25 hundred and fifteen in the top right-hand corner at Tab

1 59, there is -- the first paragraph has broken down
2 Manitoba Hydro's low income one hundred (100) and low
3 income one twenty five (125) parameter, sir.

4 Is that correct?

5 MR. LLOYD KUCZEK: Correct.

6 MR. BOB PETERS: And what you're telling
7 the Board in this document is that as a result of
8 Manitoba Hydro's survey, and using the Statistics Canada
9 low income cutoff figure of 100 percent, Manitoba Hydro
10 has seventy-four thousand nine hundred and thirty-eight
11 (74,938) customers that would be considered low income
12 customers under the Statistics Canada criteria?

13 And I'm -- I'm just simply looking in the
14 first paragraph on page 115 in the top right-hand corner.

15 MR. LLOYD KUCZEK: That's correct.

16 MR. BOB PETERS: And if the low income
17 cutoff was raised from the Statistics Canada one hundred
18 (100), and if it was increased by 25 percent to what is
19 called the LICO-125, then Manitoba Hydro's customer base
20 that would be considered low income by the LICO-125
21 standard is a hundred and six thousand (106,000)
22 customers.

23 MR. LLOYD KUCZEK: Correct.

24 MR. BOB PETERS: And if we flip ahead to
25 -- if we flip -- flip ahead to Tab 65 in the book of

1 documents, there's some information requests that have
2 been developed, and at Tab 65 we again see a repetition
3 of Manitoba Hydro's determination of where its low income
4 customers fit in terms of income, correct?

5 MR. LLOYD KUCZEK: Correct.

6 MR. BOB PETERS: And if we turn to page
7 150, at the top right-hand corner, this is PUB Manitoba
8 Hydro First Round Question 109A, again found at Tab 65 of
9 Board counsel's third book of documents, there is a
10 further breakdown of the low income customers of Manitoba
11 Hydro, and it indicates, for example, using the LICO-125
12 standard in the bottom half of the page, there -- of the
13 low income customers that would qualify under the LICO-
14 125 category fifty-four thousand (54,000), or 82 percent
15 of them, have single detached dwellings?

16 MR. LLOYD KUCZEK: You're basing this on
17 the 2003 survey information?

18 MR. BOB PETERS: On page 150, you're
19 correct. That's page -- that's 2003 information,
20 correct?

21 MR. LLOYD KUCZEK: Correct.

22 MR. BOB PETERS: All right. Let's just
23 flip the page to 2009 survey, on page 151, and the LICO-
24 125 number again is 81 percent -- 81.2 percent for low
25 income customers under the LICO-125 that have a single

1 detached home?

2 MR. LLOYD KUCZEK: You're seeing
3 percentages. I'm seeing numbers.

4 MR. BOB PETERS: Just look in the bottom
5 half of that chart. I think the percentages are --

6 MR. LLOYD KUCZEK: You're correct.

7 MR. BOB PETERS: -- also calculated.
8 Thank you. And the other point to make for the Board is
9 if we look at the LICO-125 standard on page 151, Mr.
10 Kuczek, in terms of the LICO-125 customers Manitoba has
11 that currently rent accommodations, it appears that 17.5
12 percent rent single detached homes, correct?

13 MR. LLOYD KUCZEK: Correct.

14 MR. BOB PETERS: And then there's a break
15 down of the largest portion being in -- in apartments, 69
16 percent.

17 MR. LLOYD KUCZEK: Correct.

18

19 (BRIEF PAUSE)

20

21 MR. BOB PETERS: When we turn to Tab 66
22 of the book of documents, Mr. Kuczek, we want to look
23 with the Board at the low income energy efficiency
24 program on a household basis, and this table at page 153
25 in response to PUB Manitoba Hydro Second Round 103 found

1 at Tab 66, this shows the participation of electric-
2 heated homes under the low income energy efficiency
3 program?

4 MR. LLOYD KUCZEK: Correct.

5

6 (BRIEF PAUSE)

7

8 MR. BOB PETERS: When the Board looks at
9 page 155 of this document, again found at Tab 66, Mr.
10 Kuczek, it appears that the low income energy efficiency
11 program by -- by the number of homes that were benefited
12 from the program is shown as the last line in the chart
13 on page 155. Is that correct?

14 MR. LLOYD KUCZEK: Correct.

15 MR. BOB PETERS: So the Board will see an
16 increase from twenty-seven (27) homes to eighty-four (84)
17 to ninety-seven (97) to a hundred and forty-one (141) in
18 2010, correct?

19 MR. LLOYD KUCZEK: Correct.

20 MR. BOB PETERS: Is there a number for
21 2011 that you can put on the record at this time?

22

23 (BRIEF PAUSE)

24

25 MR. LLOYD KUCZEK: You know, the numbers

1 that I have are combined gas/electric, so I can give that
2 to you. I'm not sure how valuable it is.

3 MR. BOB PETERS: Well, throw it out.

4 MR. LLOYD KUCZEK: Two ninety-seven (297)
5 would be the number of private homes that were done to
6 the end of '10/'11 or as projected to the end of this
7 month, and that's -- that's the private, and the total
8 would be nine nine eight (998).

9 MR. BOB PETERS: And because that
10 includes gas does that include the furnace replacement?

11 MR. LLOYD KUCZEK: All homes. One (1)
12 sec. It seems like I gi -- may have given you the wrong
13 number.

14

15 (BRIEF PAUSE)

16

17 MR. LLOYD KUCZEK: Okay, so I actually
18 gave you the total to the end of '09/'10. The total to
19 '10/'11 is -- and -- and this is approximate because
20 we're cleaning up some of the eco energy homes right now.
21 And I'm not sure if everybody knows this, but the program
22 is coming to an end at the end of this month, and
23 hopefully it'll be renewed with the budget today at -- at
24 the federal level, but the number that we have is just
25 under two thousand (2,000). It's one nine nine six

1 (1,996), but approximately two thousand (2,000) homes.
2 That includes the furnace program, all homes: community,
3 private, First Nation.

4 MR. BOB PETERS: Are private homes called
5 individual homes on this chart on page 155, Mr. Kuczek?

6 MR. LLOYD KUCZEK: That's correct.

7 MR. BOB PETERS: And would -- would the
8 Board understand that correctly to mean that these are
9 individuals who on their own accord came forward to seek
10 out some low income energy efficiency programs from
11 Manitoba Hydro?

12 MR. LLOYD KUCZEK: For all intents and
13 purposes, that's correct. There was a few that went
14 through the community groups, but it's in one (1) of the
15 other -- one (1) of the two (2) buckets. I'm not sure
16 which buckets we ended up putting it in at the end.

17 MR. BOB PETERS: But what -- what it --
18 what does jump out is that there was only twenty (20)
19 approximate individuals who have sought out the low
20 income energy efficiency program on their own account?

21 MR. LLOYD KUCZEK: Twenty (20) electric
22 homes, I guess. And the number that I was referring to,
23 the total number of individual or private homes that we
24 have to the end of this year, including gas, is fifteen
25 fifty-three (1,553), so substantially larger. There's a

1 lot of gas homes that are being done, I guess.

2 MR. BOB PETERS: In terms of the electric
3 -- I'm sorry.

4

5 (BRIEF PAUSE)

6

7 MR. BOB PETERS: Mr. Kuczek, the electric
8 homes here on the individual track, it essentially shows
9 there's very little market penetration for the low income
10 energy efficiency programs for the -- for the -- on the
11 electricity side of -- of the business?

12

13 (BRIEF PAUSE)

14

15 MR. LLOYD KUCZEK: I actually don't know
16 what the split is between gas and electric. All I know
17 is the program has ramped up considerably in the last
18 year, still ramping up. We go through the summer
19 doldrums where customers just aren't interested, but I --
20 I don't know the number. The twenty (20) is, I don't
21 think, reflective of what's been done out there. I -- I
22 can only give you the combined number.

23 And -- and I think I gave you -- yeah.

24 The number I gave you actually was the -- ye -- just for
25 the year 2010/'11. The cumulative, including all homes

1 done to date, is actually closer to three thousand
2 (3,000) to the end of this current year.

3 MR. BOB PETERS: Mr. Kuczek, I wonder if
4 you could take the -- the chart on page 155 at Tab 66 of
5 Board counsel's book of documents and undertake to revise
6 that. And you can add columns if you want to, include
7 gas, but provide as much breakdown as you can on the
8 electric side and as current as you can.

9 MR. LLOYD KUCZEK: We'll do that.

10 MR. BOB PETERS: All right, that would be
11 appreciated.

12

13 --- UNDERTAKING NO. 96: Manitoba Hydro to update the
14 chart appearing at page 155
15 of Tab 66 of Board counsel's
16 book of documents, providing
17 as much breakdown on the
18 electric side as possible

19

20 CONTINUED BY MR. BOB PETERS:

21 MR. BOB PETERS: Before we leave thno at,
22 Mr. Kuczek, if the Board turns back a page to page 154,
23 and in the middle of the page, would the Board understand
24 this correctly that in terms of total spending, up until
25 the end of 2010, Manitoba Hydro has spent approximately

1 seven hundred and nineteen thousand dollars (\$719,000) on
2 electric individual homes under the energy efficiency --
3 the low income energy efficiency program?

4

5 (BRIEF PAUSE)

6

7 MR. LLOYD KUCZEK: On the individual --
8 the individual track, yes.

9 MR. BOB PETERS: And if we say it's seven
10 hundred and nineteen thousand dollars (\$719,000) on the
11 individual track and the next page tells us that there
12 was only twenty (20) homes done on the individual track,
13 doesn't that strike Manitoba Hydro as exorbitant under --
14 can you explain that?

15

16 (BRIEF PAUSE)

17

18 MR. LLOYD KUCZEK: Yeah. It does seem
19 that way, and the factors causing that are the startup
20 costs, the administrative costs to get the program up and
21 running and then the -- the -- probably the most
22 important component is that it takes a while from when
23 you get customers to sign up to actually when you
24 complete the home and do the E-audit and we weren't
25 recording it as -- as homes being completed until the E-

1 audit was done. So there could be like one hundred (100)
2 homes that are having work done and twenty (20) doesn't
3 really reflect what's going on.

4 MR. BOB PETERS: So there's some
5 partially completed homes included in that seven hundred
6 and nineteen thousand dollar (\$719,000)?

7 MR. LLOYD KUCZEK: Oh, I'm pretty sure of
8 that.

9 MR. ROBERT MAYER: Mr. Peters, could you
10 get us part of your undertaking there, to get a,
11 basically, cost per home, excluding the administrative
12 costs, how much money actually got spent to refurbish, or
13 whatever was done, to these twenty (20) homes that we see
14 on page 155, because the numbers do sound absolutely
15 incredible.

16 MR. LLOYD KUCZEK: I -- I can give you
17 some information on that right now, actually. On average
18 we're spending, without the furnace program, about four
19 thousand dollars (\$4,000) on a home. They range anywhere
20 from less than a thousand dollars (\$1,000), depends
21 what's done on a home, to over ten thousand dollars
22 (\$10,000) on a home.

23 The number of homes that we spend over ten
24 thousand dollars (\$10,000) is less than 3 percent. So
25 that should give you a -- a good feel for the program

1 costs.

2

3

(BRIEF PAUSE)

4

5 CONTINUED BY MR. BOB PETERS:

6 MR. BOB PETERS: When you provide those
7 numbers, Mr. Kuczek, it still -- it still makes that
8 seven hundred and nineteen thousand dollars (\$719,000)
9 look like there's a fairly heavy administrative component
10 in that if there's only on average eighty (80) -- eighty
11 thousand (80,000) for actual home.

12 MR. LLOYD KUCZEK: Yes, so the
13 administrative costs are high to run this program,
14 there's no doubt about that and I could even share some
15 information on that. Right now our costs are
16 approximately \$1.2 million to operate the program on the
17 administrative side per year.

18 MR. BOB PETERS: What does that 1.2
19 million include?

20

21

(BRIEF PAUSE)

22

23 MR. LLOYD KUCZEK: It includes just the
24 admin staff time involved in running the program.

25 MR. BOB PETERS: Can you advise the Board

1 as to how many full-time dedicated staff there are to
2 that program?

3 MR. LLOYD KUCZEK: It's eleven (11), I
4 believe, ten (10) or eleven (11).

5 MR. BOB PETERS: Is that considered EFTs,
6 or are there additional part-time people in addition to
7 those eleven (11)?

8 MR. LLOYD KUCZEK: No, there's more
9 people that support the program, the contact centre, and
10 there's some other areas as well, but those are people
11 that are dedicated to the program.

12 MR. BOB PETERS: On page -- Tab 66, page
13 157, Manitoba Hydro provides information about the low
14 income energy efficiency on First Nations communities?

15 MR. LLOYD KUCZEK: Correct.

16 MR. BOB PETERS: And from the materials,
17 it provides a list of certain approaches being taken, but
18 if we again go back to page 155 we see that on First
19 Nations communities there was only thirty (30) homes
20 completed by the end of 2010, correct?

21 MR. LLOYD KUCZEK: Yes. And if you
22 wanted some updated information, we're currently at one
23 thirty-two (132) to the end of March.

24

25

(BRIEF PAUSE)

1 MR. BOB PETERS: Does that include what's
2 noted on the footnote there, a hundred and one (101)
3 homes in the Island Lake community?

4 MR. LLOYD KUCZEK: No. That was a pilot
5 project and we -- we never were able to confirm exactly
6 what the measures were that were implemented in those
7 homes and so we've been hesitant to report it as totally
8 complete, although we're told that the insulation that we
9 sent up did get installed somewhere.

10 MR. BOB PETERS: So you haven't had the
11 ability to verify whether the -- the program was
12 completed as intended?

13 MR. LLOYD KUCZEK: No, that was a pilot.
14 We tried that out and we are now using a different
15 approach.

16 MR. BOB PETERS: Maybe explain the two
17 (2) approaches and what the difference is.

18 MR. LLOYD KUCZEK: Well, the -- the first
19 approach with Island Lakes was to hire a -- a local
20 person from the community to manage the process and so we
21 had an individual, and I think there was a few
22 individuals involved over time, tried to convince the
23 community that we should -- how to move ahead. We sent
24 them a blower door machine to do the blower door test,
25 then we eventually sent them all the material required to

1 do the work, and then over time thing -- just it -- it
2 wasn't working. We were -- we didn't know what was
3 happening and it's a remote community and it -- it wasn't
4 the best way of handling it.

5 What we currently do now is we work closer
6 with the community. We pick ten (10) homes. We go up
7 there. We have our staff person that goes through the
8 homes with the community and then the community
9 implements the measures. We go back, we check the homes,
10 then we work with them again to pick another ten (10) or
11 fifteen (15) homes, whatever it's going to be, and so
12 that's the process we're using. We're -- we're working
13 closer with them and kind of walking through the process
14 with them as opposed to letting them kind of manage it.
15 And you're always working on their time and their
16 schedule.

17 MR. BOB PETERS: Which employee or whose
18 employees are actually performing the work?

19 MR. LLOYD KUCZEK: It's usually the First
20 Nation communities that actually have their own members
21 that do the work but not necessarily.

22 MR. ROBERT MAYER: Mr. Kuczek, didn't
23 part of the problem of the material seem to be -- seeming
24 to be stranded in -- in Island Lake. Was there not a
25 winter road problem what -- during the course of that

1 time? MR. LLOYD KUCZEK: No, we actually got
2 the material up there and -- they might have had trouble
3 getting there but they got there. And we had the
4 material stored in var -- various places, including some
5 of our facilities. But at one (1) point our staff went
6 to one (1) of the locations and the building happened to
7 be opened up and there was issues.

8

9 CONTINUED BY MR. BOB PETERS:

10 MR. BOB PETERS: Does Manitoba Hydro
11 target the diesel community as separate for their low
12 income energy efficiency programs?

13 MR. LLOYD KUCZEK: Not really separate,
14 it's treated the same way as the other First Nation
15 communities in process.

16 MR. BOB PETERS: And in this description
17 starting on page 157 of Tab 66, the diesel communities,
18 or some of them, are mentioned but there's no indication
19 as to how many homes have been -- have been completed
20 under an energy efficiency program. Are you able to --

21 MR. LLOYD KUCZEK: Yeah, I can share some
22 information. Two (2) of the communities we've completed
23 ten (10) homes each. We're shipping up material to do
24 another fifteen (15) homes in three (3) of the
25 communities and we're working on the time frame of the

1 other community in terms of whether or not they'll
2 cooperate and participate in the program.

3 MR. BOB PETERS: Can you indicate on Tab
4 -- Tab 66, page 156, the target appears that Manitoba
5 Hydro was going to spend, I believe it would be a total
6 of \$4.2 million in fiscal '11 under not only the Power
7 Smart but also the affordable energy fund programs.

8 Is that correct?

9 MR. LLOYD KUCZEK: It was a big number.

10 MR. BOB PETERS: It was \$4.2 million?

11 MR. LLOYD KUCZEK: Correct.

12 MR. BOB PETERS: And of that 4.2 million
13 with the fiscal year almost being complete, how much will
14 you be telling Mr. Warden you've actually spent?

15

16 (BRIEF PAUSE)

17

18 MR. LLOYD KUCZEK: What I can give you is
19 the -- what we've spent to date on the gas and electric,
20 I guess, if that would help.

21 MR. BOB PETERS: Well, what you've --
22 interrupting you, Mr. Kuczek, the -- the information on
23 page 156 is electric only, is it not?

24 MR. LLOYD KUCZEK: That's correct.

25 MR. BOB PETERS: And you don't have the

1 answer for electric only?

2 MR. LLOYD KUCZEK: No, but, you -- you
3 know, to the point of the budget being very high, and our
4 expenditures being very low, I -- I think we answered an
5 IR in that respect.

6 But adding to that information, when we
7 were developing the program, we were unsure in terms of
8 how the participation would work. The first budget that
9 we created had all of Bill 11 that we had -- dollars that
10 were allocated to the program which was the 19 million.
11 We had a -- I think it was a two and a half (2 1/2) year
12 program approved.

13 So what we ended up doing was just
14 allocating all those dollars into the two (2) years
15 having -- or two and a half (2 1/2) years, whatever it
16 was at the time, not knowing what the participation would
17 be.

18 So clearly participation was not at those
19 levels, and -- and we did a top-down approach in terms of
20 participation based on the dollars as opposed to what was
21 realistic in terms of participation.

22 We have since modified that approach, and
23 we're now putting into our plan what we really expect
24 will -- will -- there will be in terms of participation.
25 And so it's a bottom-up approach, and the budget will be

1 more reflective of what the actual costs are going
2 forward.

3 MR. BOB PETERS: Can you provide the
4 Board with some numbers on what the total budget was then
5 for gas and electric in 2011, and what the budget will be
6 in 2012, as well as what the actual was in 2011?

7

8 (BRIEF PAUSE)

9

10 MR. LLOYD KUCZEK: I believe what we had
11 in the 2010 Power Smart plan has those numbers, and we
12 again underspent what -- what took place relative to
13 what's in the budget in the 2010 plan.

14 You will see the 2011 plan be more
15 reflective of what we think is going to happen based on
16 our experience to date. And for 2011/'12, what we're
17 projecting to spend, if I've got the numbers right here,
18 is on Power Smart one point 1. -- 1.3 million roughly,
19 and out of Bill 11, three point seven (3.7), so a
20 combined of -- that adds up to \$5 million.

21 MR. BOB PETERS: That's electric only?

22 MR. LLOYD KUCZEK: That's combined.

23 MR. BOB PETERS: That's combined, okay.

24 So what -- what you're telling the Board is you've
25 considerably scaled back the budget for this based on

1 your practical experience in terms of what -- what has
2 taken place in the field.

3 MR. LLOYD KUCZEK: That's true, and, you
4 know we're continually experimenting with what's going to
5 work, and what's going to increase participation, and we
6 recently experimented with some different sort of
7 advertising, and we've been very pleased with the number
8 of applicants that we've received, the number of phone
9 calls.

10 Just to give you an idea, we started using
11 the -- what works in Manitoba, and that's the 'free' word
12 in bold, and so in January we had over a thousand (1,000)
13 calls to our contact centre. There's always a delay,
14 too, when you get applications. In the last month and a
15 half, we've gotten four hundred and forty (440)
16 applications, which is higher than we've had ever.

17 So the free ad seems to be working and --
18 but we again caution everybody's expectations because
19 when we get into summer, we think we're just -- it's just
20 going to drop off again. Every sum -- every time we get
21 into summer, the number of applications we get really
22 drops off.

23 So that's where we're at today in terms of
24 participation, and we'll continue to experiment with ways
25 of encouraging customers to participate in our program.

1 We've got a couple other things that we're playing with.

2 We've got a couple of community groups
3 going door to door. That seems to be working. We're
4 paying for them to go door to door. We've gotten twenty
5 (20) applications from the two (2) communities -- twenty-
6 two (22) actually. They just started, so hopefully
7 that'll work. We're -- got another pilot with a
8 community group where we're going to try to clean up an
9 entire block, and we'll see if that's going to be
10 successful.

11 So you know, we're just -- keep on trying
12 different things, but the -- so far right now what's
13 encouraging is the free ad, so. On the downside, of
14 course, is the other 75 percent of our customers might
15 start complaining about that because they're not
16 eligible.

17 And -- and just to manage expectations a
18 bit, too, but the four hundred and forty (440)
19 applications, usually we get 15 to 25 percent that are
20 not eligible, so those won't all transpire into
21 applications that will be eligible.

22 MR. BOB PETERS: Other than the -- other
23 than the insulation program, what program is free?

24 MR. LLOYD KUCZEK: Just the insulation
25 program and the free -- the free no -- low cost stuff.

1 Sorry, are you talking about overall in Power Smart? We
2 had the water and energy savers program which is free,
3 and -- and customers are jumping all over that as well.
4 And when we tried the -- the Mexican ad of -- was it buy
5 one (1), get -- buy two (2), get one (1) free -- with the
6 CFLs, we had people lined up I remember at a Home Depot
7 store. So, I don't know, it seems to work in Manitoba.

8 MR. BOB PETERS: Mr. Kuczek, recognizing
9 the year isn't quite over, but could the information
10 provided on page 156 be updated by way of undertaking for
11 the electric side only in terms of not only the costs
12 that are budgeted, but the actuals that are expected to
13 be incurred?

14 MR. LLOYD KUCZEK: We can do that.

15 MR. BOB PETERS: All right. I appreciate
16 that, sir.

17

18 --- UNDERTAKING NO. 97: Manitoba Hydro to provide an
19 update of the information on
20 page 156 for the electric
21 side, in terms of not only
22 the costs that are budgeted
23 but the actuals that are
24 expected to be incurred

25

1 CONTINUED BY MR. BOB PETERS:

2 MR. BOB PETERS: Mr. Kuczek, Manitoba
3 Hydro takes the position there is no energy burden in
4 Manitoba. Have I got that right?

5 MR. LLOYD KUCZEK: No, that's not
6 correct.

7 MR. BOB PETERS: What does Manitoba Hydro
8 say is the energy burden threshold in Manitoba?

9 MR. LLOYD KUCZEK: We actually don't have
10 a definition for it.

11 MR. BOB PETERS: You admit that there is
12 an energy burden but you don't know what it is and how
13 it's defined?

14 MR. LLOYD KUCZEK: Well, we --

15 MR. BOB PETERS: I don't understand that.

16 MR. LLOYD KUCZEK: We talk about how you
17 try to trip us up, but.

18 MR. BOB PETERS: Well, you're tripping me
19 up here. So PUB 1 -- Manitoba Hydro 1 213A was a
20 question asked, and I had interpreted that as Hydro
21 indicating that there is no energy burden in Manitoba.
22 But you're telling the Board that's not a correct
23 interpretation?

24 MR. LLOYD KUCZEK: No, I -- I think we
25 recognize there's an energy burden in Manitoba. What we

1 -- we don't -- you know, it isn't under our mandate and
2 our responsibility, so we haven't spent a lot of time on
3 it.

4 Clearly in these hearings we've discussed
5 the issue. And based on that information and just
6 accepting those definitions that were posed or provided
7 in previous hearings, if you use 15 percent as a severe
8 energy burden, there's clearly some people in Manitoba
9 that have that, and if you use 10 to 12 percent, there's
10 some people that fall in that category, and so on.

11 MR. BOB PETERS: Mr. Kuczek, if the Board
12 would turn with us to page 124 found at Tab 59 of the
13 book of documents. Again, PUB Exhibit 18 is the third
14 book of documents, and Tab 60 -- or Tab 59 has the
15 extract from Manitoba Hydro's Appendix 50.

16 The last page, page 124, contains an
17 energy burden range by space heat fuel against the
18 various LICO determinants?

19 MR. LLOYD KUCZEK: Correct.

20 MR. BOB PETERS: And -- and I'm going to
21 look to the very bottom left-hand corner of the chart
22 that's on this page with a mind-numbing number of
23 numbers. Is this telling the Board that there are a
24 hundred and fifty-two thousand (152,000) electric heat
25 customers in Manitoba Hydro's service territory?

1 (BRIEF PAUSE)

2

3 MR. LLOYD KUCZEK: For some reason, I'm a
4 little hesitant with that number because I'm thinking our
5 total residential customers is about four hundred and
6 forty (440), so -- and two hundred and forty (240) are
7 natural gas, so I'm -- I'm not sure why the number is not
8 adding up. But I -- there -- there's got to be a group
9 of customers that's not included in this group.

10 MR. BOB PETERS: Oh, we'll come to that
11 maybe a little later. We'll -- we'll --

12 MR. LLOYD KUCZEK: Oh, we have the four
13 forty (440) on top, so it's all there, yes, that's
14 correct.

15

16 (BRIEF PAUSE)

17

18 MR. BOB PETERS: Mr. Kuczek, the point of
19 bringing the Board to page 124 of the book of documents
20 is -- by income level and the energy accounts for the
21 home are compared on a percentage basis in the left-hand
22 margin. And if -- would it be correct to understand this
23 chart that there are approximately sixty-six thousand
24 (66,000) Manitoba Hydro customers that heat their home
25 with electricity that spend 3 percent or less of their

1 household income on energy?

2 MR. LLOYD KUCZEK: Yes, that's correct.

3 MR. BOB PETERS: And so that's the first
4 column. If we move over to a column, and I -- I hope
5 it's in colour on yours, but the -- the LICO-100 column,
6 second column from the left, this identifies that of the
7 Manitoba Hydro's customer base and those that are also
8 low income by Stats Canada definition, there are twenty-
9 four thousand five hundred and ten (24,510) that heat
10 their homes electrically.

11 MR. LLOYD KUCZEK: Correct.

12 MR. BOB PETERS: And of those twenty-four
13 thousand (24,000) customers that heat their home
14 electrically and that are also low income, one hundred
15 (100) qualified, 13 percent of them spend 3 percent or
16 less of their household income on energy costs?

17 MR. LLOYD KUCZEK: Correct.

18 MR. BOB PETERS: So you're telling the
19 Board that while Manitoba Hydro recognizes there may be
20 an energy burden in Manitoba, Manitoba Hydro doesn't know
21 where to draw the line, that is, draw it after the 3
22 percent, after the 6 percent, after the 9 percent, or
23 after the 12 percent?

24 MR. LLOYD KUCZEK: That's correct.

25 MR. BOB PETERS: And what would Manitoba

1 Hydro need to understand or know that it doesn't
2 currently know, in terms of making that determination of
3 where the energy burden lies in this province?

4 MR. LLOYD KUCZEK: I guess what I would
5 say is we're not experts in terms of what energy burden
6 is, and we feel that's the responsibility of the
7 provincial government agencies and so we leave that to
8 their responsibilities to deal with and address and
9 define.

10 MR. ROBERT MAYER: Mr. Kuczek, I recall a
11 couple hearings ago when we were discussing the trigger
12 point for the tail block rate on residential home -- on -
13 - on resid -- sorry, electric-heated residential homes.
14 And somebody on that side of the table said, We can't
15 identify which homes are electrically heated.

16 ` Because you'll call -- recall we were
17 discussing the possibility of upping the kilowatt hours
18 per month before the tail block kick -- the inverted rate
19 kicked in for electrically -- electrically heated homes,
20 a subject which has been raised a number of times in this
21 hearing by customers.

22 You now appear to have solved the problem
23 on how you can -- that you can now, in fact, identify
24 electrically heated homes, so will that burden be removed
25 when we get to deal with the issue that has been raised

1 by a number of objectors regarding the -- the unfairness
2 of using the inverted rate for people who elec -- heat
3 their homes electrically?

4 MR. LLOYD KUCZEK: We can identify homes
5 that electric heat or not. I think there must be a
6 misinterpretation of what was said in the previous
7 hearing.

8 MR. ROBIN WIENS: Well, I'm -- I did not
9 participate myself in the preparation of this
10 information. But it is -- customers will self-identify
11 as electrically heated or not and I believe that this is
12 simply based on self-identification.

13 In a lot of cases it can be very obvious,
14 beca -- because of the consumption and other matters in
15 our database that a home is electrically heated. And in
16 other cases it's quite obvious that its not.

17 What we -- what we have trouble
18 identifying with any degree of certainty is the grey area
19 in-between and the migrations between electric and non-
20 electrically heated. As -- as a simple example, my -- my
21 own home has some supplementary electric capability. I
22 would not say that I'm electrically heated, but somebody
23 else in a similar circumstances might say that they were.

24 MR. ROBERT MAYER: So when we're seeing
25 electrically heated homes and numbers on page 124 here,

1 they may well include, I mean, electrical burden becomes
2 a whole lot smaller if you have baseboard -- supplementary
3 baseboard heat with fully integrated natural gas service
4 heating your home most of the time, but when it gets a
5 little cold in the study you turn on the baseboard
6 heater.

7 I understand that -- that problem. But
8 that then would not reflect all that well on the accuracy
9 of the statistics set out on page 124, would it?

10 MR. LLOYD KUCZEK: Well, let -- let me
11 speak to the accuracy of 124. That was based on the
12 survey information, then it's extrapolated to the entire
13 population base. But just adding to that, like our --
14 our -- that information so that it's clear and nobody is
15 confused here, we do -- our billing system does have
16 electric-heated customers coded.

17 So we -- we tax customers differently if
18 they are electric heated or not. So that information is
19 within our billing system. Within the billing system we
20 will have some errors and we're continuously looking at -
21 - or we're correcting those whenever we get that
22 information because of, well, different reasons, but
23 customers may not have clarified properly whether they're
24 all electric or not.

25 THE CHAIRPERSON: Is the income levels to

1 which the -- involved in the -- determining the burden so
2 to speak, is that disposable income or gross?

3 MR. LLOYD KUCZEK: Gross.

4 THE CHAIRPERSON: Okay. So then in other
5 words statutory deductions and taxes and stuff like that
6 are...

7 MR. LLOYD KUCZEK: Are not taken off.

8 THE CHAIRPERSON: Thank you.

9 MR. ROBERT MAYER: I hesitate to ask
10 which -- if -- if Mr. Wiens' home is coded as electric
11 heated.

12 MR. ROBIN WIENS: Well, Mr. Mayer, my
13 home is not coded as electrically heated, but I do have
14 some electric heat capability.

15 MR. ROBERT MAYER: I didn't think it
16 would be, Mr. Wiens, by what you said but I -- I always
17 wondered how accurate this thing -- how you code it
18 otherwise.

19 I mean, if you did a survey and I lied to
20 you I understand that that would be a problem. If you
21 came to my house and you would see the gas line with a
22 lock on it and know very well I haven't got gas heat. If
23 you looked at my chimney you'd find out that wasn't a
24 fireplace and the -- and the only thing coming into my
25 house that would give you any indication that I have any

1 heat is that I have electrical wires coming into the
2 place and nothing else.

3 I -- I have a little trouble understanding
4 how it is that you can't somehow, at least reasonably
5 accurately, determine who is dep -- I guess I'd say
6 dependent upon electric heat for -- for home heating.

7 MR. ROBIN WIENS: Mr. Mayer, as I
8 mentioned earlier, in -- in most cases you can look at
9 the data and you could have some reasonable certainty
10 whether or not a home is electrically heated but there's
11 a large grey area in-between. And whereas we may feel
12 comfortable in a -- in a table like this indicating okay,
13 this is the proportion or the number of customers that
14 we've extrapolated from our survey that have self-
15 reported electrical heat, we're comfortable here. When
16 you're talking about a situation in which you're actually
17 sending a price signal and an incentive to go on to
18 electrical heat, it -- it -- we'd be a little bit more
19 concerned.

20 We would likely want to have more
21 certainty. And to have more certainty would require that
22 we invest money and resources in determining -- we have
23 what Mr. Kuczek mentioned four hundred and forty thousand
24 (440,000) residential customers. And there's probably a
25 subset of that that's fairly large that we would -- if we

1 were going to actually send a price signal we would want
2 to have more certainty as to whether they were or were
3 not electrically heated. Or dependent on electric heat
4 to -- to use the terminology that you suggested, sir.

5 THE CHAIRPERSON: Just as background and
6 perhaps I -- I missed it in the interchanges between the
7 various speakers. But where in the process does the
8 homeowner identify as being electric heat?

9

10 (BRIEF PAUSE)

11

12 MR. LLOYD KUCZEK: Where in the proc --
13 our process at Manitoba Hydro? So if you get a new home
14 and you apply for service that's when we code you as
15 either elec -- all electric or gas. So once a home is
16 coded it stays that way and there could be changes and we
17 may not know about those changes, but over time we do
18 find out about some customers through different -- just
19 different ways. Customers phoning us, asking or
20 questioning us, and -- about how they're coded and so it
21 gets corrected that way. We correct so many every year.
22 And --

23 THE CHAIRPERSON: So, for example, like
24 there's homes in Winnipeg that were built -- late back as
25 1904 and have probably transferred ownerships thirty-five

1 (35) times. At some point in that process they would
2 have been identified as electrically heated or gas
3 heated?

4 MR. LLOYD KUCZEK: That's correct.

5 THE CHAIRPERSON: And the new owner
6 wouldn't even be aware of the fact of the identification?

7 MR. LLOYD KUCZEK: I don't think
8 homeowners are generally aware.

9 MR. ROBERT MAYER: I -- I find that most
10 interesting because my house was built in 1964. I
11 purchased it in ninet -- and it had gas -- sorry, propane
12 heat. I purchased it in '72. In '73 I got rid of the
13 propane gas and became virtually electrically dependent.
14 It has both forced-air electric and some of the rooms
15 have supplementary baseboard.

16 Is it possible that I would still be coded
17 as propane? I, of course, had to change my electrical
18 panel because I was upgrading significantly.

19 MR. LLOYD KUCZEK: I guess I could answer
20 this: You could be coded wrong. I -- I'm -- I'm not
21 sure how we code propane customers.

22

23 CONTINUED BY MR. BOB PETERS:

24 MR. BOB PETERS: Mr. Kuczek, in -- in the
25 term that Mr. Mayer and you were discussing, there's no

1 disadvantage to him one (1) way or the other how he's
2 coded because his electric bill right now is billed -- it
3 makes no difference as to how he's coded on your system.
4 Is that correct?

5 MR. LLOYD KUCZEK: Well, if you're coded
6 all electric there is a tax advantage because you're --
7 you're charged a one point four (1.4) instead of the 7
8 percent on the PST.

9 MR. BOB PETERS: I was thinking on the
10 energy charges. There's --

11 MR. LLOYD KUCZEK: No advantage, no.

12 MR. BOB PETERS: -- no advantage one (1)
13 way or the other in terms of coding, and --

14 MR. LLOYD KUCZEK: No.

15 MR. BOB PETERS: Mr. Kuczek and Mr.
16 Wiens, did Manitoba Hydro compare the survey data that is
17 from Appendix 50 found at Tab 59, with the billing data
18 of Manitoba Hydro to see if there's a strong correlation?

19

20 (BRIEF PAUSE)

21

22 MR. LLOYD KUCZEK: We did some analysis,
23 and we're continuing to do that. And as an example, some
24 customers identified themselves as gas-heated homes, and we
25 checked and they weren't gas-heated homes, so there --

1 there's always some error with surveys.

2 And so we are correlating some of the data
3 to improve the data, and in fact, I guess that even this
4 data that we have here, we're going to update it because
5 we've -- we've found some improved data, and so we're
6 modifying the results of this report, and we'll
7 incorporate that into the final overall report. So we're
8 -- we're doing some fine tuning with the data analysis.

9 THE CHAIRPERSON: Mr. Kuczek, going back
10 I -- I don't know how many hearings ago, but this
11 discussion is most interesting. I recall a discussion
12 about the -- what Hydro knew with respect to targeting
13 various programs, so if you have been able to identify
14 how a residence is heated, presumably therefore you know
15 the -- the age of every house.

16

17 (BRIEF PAUSE)

18

19 MR. LLOYD KUCZEK: I -- I don't know if
20 that's in our database. I think we have some
21 information, but I don't know if we have the age of every
22 home within the house -- or yeah, within the -- the
23 database.

24

25 (BRIEF PAUSE)

1 MR. LLOYD KUCZEK: So we -- we generally
2 don't have that data in our database.

3 THE CHAIRPERSON: So again confirming
4 dialogue in past hearings, you don't have any opportunity
5 to search out properties of a particular age and -- and
6 size relative to the energy bill to determine, for
7 example, an opinion as to the current state of
8 efficiency?

9 MR. LLOYD KUCZEK: We have some data, but
10 not -- not complete data in terms of size in square feet,
11 so, no, we -- there -- there's a struggle. We're --
12 we're still looking at what we can possibly do there to
13 use that data to target market our customers. There's
14 the issue of privacy, and we're trying to address that as
15 well so that we can actually be more aggressive with the
16 higher -- higher users.

17 THE CHAIRPERSON: If it's -- if you know
18 the house -- house is heated by natural gas, and I know
19 there's all sorts of tables with the percentages and
20 estimates, and et cetera, you've some knowledge as to
21 whether or not the home is heated by a conventional
22 furnace, or mid efficiency, or high efficiency, or you're
23 just extrapolating off of other --

24 MR. LLOYD KUCZEK: You're extrapolating
25 because you don't know if they have a pool that's heated

1 by -- although you can see the gas consumption as in the
2 summertime, but I have a neighbour that actually has a
3 gas fireplace outside, and he uses an enormous amount of
4 gas, and he can have a high efficient furnace for all I
5 know.

6 THE CHAIRPERSON: Do you know how many
7 high efficiency furnaces are installed in Manitoba every
8 year?

9 MR. LLOYD KUCZEK: Well, actually, all of
10 them now, but not in the past. So what we do is we use
11 the survey information to kind of set what we think is
12 what the marketplace is, and then we extrapolate after
13 that. But going forward now, all furnaces that are
14 replaced have to be high efficient, so it'll make it
15 easier in the future.

16 THE CHAIRPERSON: But you're
17 extrapolating to come out as an estimate of what the
18 fleet is, so to speak?

19 MR. LLOYD KUCZEK: That's correct.

20 THE CHAIRPERSON: Thank you.

21

22 CONTINUED BY MR. BOB PETERS:

23 MR. BOB PETERS: Mr. Kuczek, just moving
24 on. Mr. Colton provided some analysis on the average --
25 or account arrearages and collections activity. Has

1 Manitoba Hydro had a chance to consider Mr. Colton's work
2 in that area?

3 MR. LLOYD KUCZEK: We considered it, yes.

4 MR. BOB PETERS: And as a result of
5 considering it, does Manitoba Hydro take any issue with
6 the credit and collection metrics that are presented by
7 Dr. Col -- or by Mr. Colton?

8 MR. LLOYD KUCZEK: Yeah, we do, actually.
9 We did find that there were errors in the analysis, and
10 so we do have some concerns with his analysis.

11 MR. ROBERT MAYER: What page is that in
12 the rebuttal evidence, do we know?

13

14 (BRIEF PAUSE)

15

16 MR. LLOYD KUCZEK: Eighty-nine (89) to
17 ninety-two (92) is -- starting on page 89 we dis -- we
18 start to discuss some of the errors in the
19 interpretation.

20

21 CONTINUED BY MR. BOB PETERS:

22 MR. BOB PETERS: Mr. Kuczek, moving past
23 the -- you know, the -- what may you -- what you may have
24 found as errors, does Manitoba Hydro agree in principle
25 that by addressing low income affordability by maybe

1 reducing the cost of nonpayment and collection
2 activities, that will in fact benefit the Utility?

3 MR. LLOYD KUCZEK: I bel -- I agree with
4 the principal that if you can pursue some alternative
5 that's a lower cost to the Utility, that that would be
6 something that we -- we would be interested in looking
7 into, but the analysis is far from complete to -- for us
8 to be conclusive in that regard. The -- the whole issue
9 of collections is a much more complex issue.

10 MR. BOB PETERS: And Mr. Colton is
11 recommending that there be a discount provided to -- to
12 homeowners once an energy burden threshold is met?

13 MR. LLOYD KUCZEK: That's correct.

14 MR. BOB PETERS: And such a program may
15 work, but Manitoba Hydro isn't certain as to where to
16 draw that energy burden line?

17 MR. LLOYD KUCZEK: No. If you're talking
18 about based on energy burden, I don't see the business
19 case from the Utility's perspective. All I said was, If
20 we can reduce our costs in terms of collections or
21 disconnections and that was a lower cost as opposed to
22 some alternative option, that might make business sense
23 from our -- from our perspective.

24 MR. BOB PETERS: But you might be able to
25 reduce the costs -- the overall costs of disconnection

1 and reconnections and customer service activities by
2 providing some form of low income discount or credit to
3 customers that are primarily driving those costs?

4 MR. LLOYD KUCZEK: Well, I -- I didn't
5 see any evidence that substantiated that for me to be
6 confident we can do that.

7 MR. BOB PETERS: In principle, it may
8 work, but you don't believe in practice. You have the
9 data to -- to identify which customers are driving those
10 costs for disconnection and reconnection?

11 MR. BOB PETERS: Well, the issue is much
12 more complex than that. You don't really know if you're
13 going to be economically better off by pursuing some
14 option such as that as opposed to the traditional
15 collection methods.

16 THE CHAIRPERSON: Mr. Kuczek, just to hop
17 in before it leaves my mind. When you're looking at the
18 energy burden, like for example, of the two hundred and
19 forty-one thousand (241,000) residences that you
20 identified as natural gas billed, and then you put it
21 into the various categories of burden, in the calculation
22 of the burden would that ignore or include an estimate
23 for their electric bill as well?

24 MR. LLOYD KUCZEK: As I understand it,
25 this actually used what their -- their actual energy

1 bills were.

2 THE CHAIRPERSON: So it included both the
3 gas and the electricity that they were using?

4 MR. LLOYD KUCZEK: Yes, correct.

5 THE CHAIRPERSON: Thank you.

6

7 CONTINUED BY MR. BOB PETERS:

8 MR. BOB PETERS: I want to turn, Mr.
9 Kuczek, to Mr. Carter's evidence. As I understand it,
10 Mr. Carter recognizes that a large portion of low income
11 individuals are also renters and we saw that in the data
12 we looked at earlier with the Board, correct?

13 MR. LLOYD KUCZEK: Correct.

14 MR. BOB PETERS: And wondering what
15 programs has Manitoba Hydro developed that target the
16 rental customer?

17 MR. LLOYD KUCZEK: Well, we have a number
18 of programs that actually target the -- what we refer to
19 as the multi-family market, but if we first address the
20 typical apartment type renter, their uses and the
21 opportunities within that apartment unit are very limited
22 and we recognize that.

23 And what we're hoping to do with those
24 customers is pursue those opportunities with our water
25 and energy savers program, but the opportunities are very

1 limited there, and even within that program any savings
2 that you have on the water side will -- will be realized
3 by the landlord as opposed to the tenant.

4 So within an apartment suite there isn't a
5 lot of economic opportunities. CFLs clearly are there,
6 and beyond that then you're into potentially
7 refrigerators that can use less energy, shutting off your
8 TV, turning down your thermostat. And on -- other
9 opportunities would be far from economic and that's add
10 insulation to the walls or put new high efficient windows
11 in apartment units. So opportunities there are very
12 limited.

13 In our rebuttal evidence, page 52, we do
14 talk about all the programs that we offer and -- pursuing
15 the multi-family area. And we have -- I won't go through
16 them all because there's a multiple number of programs.
17 We talk about our participation in that sector and we're
18 quite pleased with that and we're continuing to pursue
19 those opportunities there. So -- so there's a -- a
20 number of things that we're doing in that area.

21 MR. BOB PETERS: You mentioned that the
22 number of programs for the renters in apartments may be
23 relatively small because the benefits seem to accrue to
24 the landlord is probably the conclusion Manitoba Hydro
25 has reached?

1 MR. LLOYD KUCZEK: Within the apartment
2 suite that's generally true for water usage and
3 potentially the heat, but not necessarily because some
4 tenants pay the heating bill, but it depends on the unit,
5 who's paying the bill.

6 MR. BOB PETERS: Are there any programs
7 that Manitoba has that directly target the landlord?

8 MR. LLOYD KUCZEK: Well, there's a number
9 of programs actually, and we identify all those on page
10 52 of -- of our rebuttal evidence. There -- there's a
11 number of programs that the landlords could participate
12 in.

13 MR. BOB PETERS: I was trying to focus
14 more on the -- on the low income tenants, but these
15 programs that you've identified are for any and all
16 landlords. Would that be fair?

17 MR. LLOYD KUCZEK: That's true. And --
18 and I'm not sure where the low income tenants would live,
19 but theoretically it would be in your lower cost units,
20 rental units, which I would think would be apartments.
21 Possib -- possibly subsets of homes.

22 MR. BOB PETERS: One (1) of the other
23 points that Mr. Carter makes is that an extensive energy
24 efficient work force would be an asset to deliver some of
25 these energy efficiency programs to low income customers.

1 Does Manitoba Hydro agree with that?

2 MR. LLOYD KUCZEK: I don't recall reading
3 that, actually.

4 MR. BOB PETERS: I had it on page 47 or
5 49 of his -- of his evidence. But let's -- let's deal
6 with it this way, the Board will understand that Hydro is
7 developing an energy efficient, I think it's called
8 Champion Team, if that's the terminology?

9 MR. LLOYD KUCZEK: I read that.

10 MR. BOB PETERS: All right. We both read
11 that, I guess. And -- and I had taken from that that
12 Manitoba Hydro was going to work with certain program
13 partners in terms of being able to deliver these low
14 income programs. Is that in its infancy from what you're
15 telling me?

16 MR. LLOYD KUCZEK: Well, I think it's
17 beyond that. We -- we are -- have been and we continue
18 to work with whoever we can get into the circle of
19 helping promote this program, and there's a number of
20 community groups. We've tried to get more of our
21 employees involved through some presentations so that
22 they can possibly refer customers to ourselves, to our
23 program, or tell customers directly about the program.

24 So I wouldn't say we're just starting,
25 it's -- you know, that was a phrase that was used to

1 encompass our overall efforts to get whoever and
2 everybody involved that we can to help us promote the
3 program.

4 MR. BOB PETERS: Mr. Kuczek, two (2)
5 quick questions maybe before I ask for a morning recess.
6 Your previous panel deflected a couple of questions your
7 way dealing with load surveys. And, particularly,
8 Manitoba Hydro Exhibit 38 was a -- was an undertaking
9 that I believe you and your colleagues prepared to
10 reflect the load forecast for the top consumers. Do you
11 recall that?

12 MR. LLOYD KUCZEK: I recall looking at it
13 last night.

14 MR. BOB PETERS: Do you recall that when
15 it was prepared the smelter or refinery, or both,
16 closures that are forecast in -- from 2012 to 2015 have
17 not been reflected in the 2010 load forecast?

18 MR. LLOYD KUCZEK: That's correct.

19 MR. BOB PETERS: And just help me out, I
20 -- I get the dates horribly wrong. There is one (1)
21 smelter that has -- that is going to close, is it in
22 2012, and then another one in 2015?

23

24

(BRIEF PAUSE)

25

1 MR. LLOYD KUCZEK: I -- I think -- I
2 think we actually talked about this already because I
3 remember getting clued-in last time too. But the -- the
4 closure in 2012 wasn't a -- it wasn't an electric boiler
5 it was -- they were using some other fuel. So they added
6 an electric -- electric -- boiler, yeah. So there was an
7 -- an increased load to us from that customer for that
8 year.

9 MR. BOB PETERS: All right. But the --
10 the announced closure of the smelter and refinery in 2015
11 in Northern Manitoba, that is not reflected in the -- in
12 the load forecast for the top consumers?

13 MR. LLOYD KUCZEK: That's correct. And I
14 think when I testified last time I said that you can
15 assume it's in the same range as the other customer we
16 were talking about at the time. And then I don't know if
17 I added this component or not, but we do have some load
18 growth from other customers on the industrial side that
19 will certainly make up some of that load, so I wouldn't
20 assume that our 2011 forecast would have that total load
21 taken off.

22 MR. BOB PETERS: In terms of ballpark
23 numbers, I think we were talking in the 500 or 700
24 gigawatt hour range for the combination of the smelters
25 and the refineries?

1 MR. LLOYD KUCZEK: I thought we were
2 talking around five hundred (500).

3 MR. BOB PETERS: All right. And you're
4 telling the Board now that -- is there a new customer
5 that's coming to Manitoba that will pick up that load?

6 MR. LLOYD KUCZEK: Oh, there's a number
7 of customers that exist today that are expanding and
8 growing. The -- the oil industry in south -- western
9 Manitoba is -- is growing substantially. There's mining
10 companies that are exploring. Things are very aggressive
11 with the metal prices right now, so there -- there's
12 going to be some load growth due to these other customers
13 for sure.

14 MR. BOB PETERS: Last question or last
15 topic, Mr. Kuczek, is your colleagues on the Panel have
16 indicated that on the energy intensive industrial rate
17 issue Manitoba Hydro would be consulting with various
18 stakeholders.

19 MR. ROBIN WIENS: That's correct.

20 MR. BOB PETERS: Sorry, Mr. Wiens, I
21 thought it was Mr. Kuczek that would address this. The
22 question came up as to whether or not the consultation
23 will include the stakeholders who appear regularly in the
24 Public Utilities Board hearings?

25 MR. ROBIN WIENS: Mr. Peters, we were

1 just talking about that internally and yes, that's our
2 intention. MR. BOB PETERS: And then in terms of --
3 the Board order also indicated, Mr. Wiens, that
4 consultation should occur broadly, including with the
5 government. Do you recall that?

6 MR. ROBIN WIENS: I -- I'm sure it was
7 there, Mr. Peters, but no I don't specifically recall it.

8 MR. BOB PETERS: Then maybe the question
9 is better asked, Mr. Wiens, will Manitoba Hydro be
10 consulting with the provincial government relative to the
11 energy intensive industrial program?

12 MR. ROBIN WIENS: We can certainly talk
13 to them about it, Mr. Peters.

14 MR. BOB PETERS: There are implications
15 though beyond the electric utility in terms of energy
16 intensive industries setting up in Manitoba?

17 MR. ROBIN WIENS: Sorry, I missed the
18 first part of that question.

19 MR. BOB PETERS: I was suggesting, Mr.
20 Wiens, that there clearly are issues larger than those re
21 -- related to the electric utility when an energy
22 intensive industrial customer sets up in Manitoba.

23 MR. ROBIN WIENS: Oh, yes, there's a
24 number of issues beyond the electric utility.

25 MR. BOB PETERS: And in one (1) of the

1 early iterations of the energy intensive industrial rate,
2 there were economic calculations that went beyond the
3 electric utility and considered some externalities from
4 the electric utilities, such as if not the gross product
5 that they are accountable for, certainly payroll taxes,
6 and the like?

7 MR. ROBIN WIENS: Yes, we did look at
8 that in an earlier version.

9 MR. BOB PETERS: All right. And so to
10 that end, the question was whether or not the government
11 would still be consulted, and I think the Board will take
12 that, yes, there will be consultation at that end.

13 MR. ROBIN WIENS: Yes.

14 MR. BOB PETERS: All right. Those are my
15 questions before the recess, if that suits the Board, Mr.
16 Chairman.

17 THE CHAIRPERSON: Thank you, Mr. Peters.
18 We'll see you back in ten (10) or eleven (11) minutes.

19

20 --- Upon recessing at 10:50 a.m.

21 --- Upon resuming at 11:10 a.m.

22

23 THE CHAIRPERSON: Okay. Mr. Peters...?

24 MR. BOB PETERS: Thank you. Mr.

25 Chairman, I just wanted one (1) other area, if I could

1 tidy up with Mr. Kuczek before I could certainly indicate
2 to counsel that my -- he could be excused from the
3 balance of my questioning.

4

5 CONTINUED BY MR. BOB PETERS:

6 MR. BOB PETERS: But, Mr. Kuczek, you'd
7 indicated before the morning recess that Manitoba Hydro
8 is interested in reducing costs of disconnection and
9 reconnection, and even looking for economic alternatives.
10 Would that -- that be a correct phrasing of your
11 evidence?

12 MR. LLOYD KUCZEK: Well, you know, it's a
13 generic statement. We're always looking at ways that we
14 can reduce our operating costs, and disconnections and
15 the collection process is just one (1) of those.

16 MR. BOB PETERS: And that's why I thought
17 you'd say yes quite readily. What you're -- what -- what
18 you're telling the Board is that if there is a way to
19 design a better mouse trap, Manitoba Hydro is interested.

20 MR. LLOYD KUCZEK: I think we should
21 consider all options, and if there was one (1) that was
22 better, we -- we should take a serious look at it, sure.

23 MR. BOB PETERS: And in the context of
24 providing low income rates, or rate rebates, or rate
25 rebates, or subsidies, or components of low income rates,

1 Manitoba Hydro hasn't yet been able to reach the
2 conclusion that that is an economic benefit to the
3 Corporation and its other ratepayers?

4 MR. LLOYD KUCZEK: That would be fair to
5 say that.

6 MR. BOB PETERS: And one (1) of the
7 processes in which Manitoba Hydro expends money when
8 accounts go into arrears is the collection process,
9 correct?

10 MR. LLOYD KUCZEK: Correct.

11 MR. BOB PETERS: And Manitoba Hydro has -
12 - has a fairly strict regimen as to what steps are taken
13 when an account for an electric customer falls into
14 arrears?

15 MR. LLOYD KUCZEK: Correct.

16 MR. BOB PETERS: And it's relatively the
17 same steps as for a gas customer with the exception that
18 the gas customer is protected under some -- some
19 legislation that the electric customer may not be?

20 MR. LLOYD KUCZEK: Correct.

21 MR. BOB PETERS: And so, for the electric
22 customer who finds themselves in arrears, whether they are
23 low income or not low income customers, Manitoba Hydro
24 embarks on a series of steps to attempt to collect the
25 amount in arrears and keep that customer current?

1 MR. LLOYD KUCZEK: That's correct.

2 MR. BOB PETERS: And all of those steps
3 have costs?

4 MR. LLOYD KUCZEK: That would be fair to
5 say.

6 MR. BOB PETERS: And the costs of those
7 steps are primarily related to human resource costs or
8 EFT costs or wages and benefits?

9 MR. LLOYD KUCZEK: Mainly, yes.

10 MR. BOB PETERS: It's labour intensive,
11 chasing accounts receivable. I'm sorry, that wasn't a
12 question. It is labour intensive, isn't it, to -- to
13 chase accounts receivable?

14 MR. LLOYD KUCZEK: I guess it depends.
15 You know, if you make a phone call and spend ten (10)
16 minutes with a customer and make payment arrangements,
17 that's not that costly, so it depends on what the -- the
18 extent of the effort. And then, of course, the other
19 component of the cost that could be substantial is never
20 being able to collect at all at the end.

21 MR. BOB PETERS: Well, let's just talk
22 about the -- the steps taken. There's a series of, I
23 suppose, bill reminders. Wouldn't that be the first
24 place a customer would -- would see that they are in
25 arrears?

1 MR. LLOYD KUCZEK: Yes.

2 MR. BOB PETERS: And then, at a certain
3 point, when the bill reminders aren't bringing in the
4 results, Manitoba Hydro would up the ante and perhaps
5 send out a letter?

6 MR. LLOYD KUCZEK: That's how I recall
7 it.

8 MR. BOB PETERS: And will there be at
9 some point -- in addition to the letter, there might even
10 be an initial polite phone call?

11 MR. LLOYD KUCZEK: That's correct.

12 MR. BOB PETERS: And the phone calls
13 might get less polite as time elapses?

14 MR. LLOYD KUCZEK: I think we're always
15 polite when we call.

16 MR. BOB PETERS: Of course. And -- and
17 at some point, when the phone calls don't have the
18 desired effect, Manitoba Hydro will threaten, and then
19 embark on legal action?

20 MR. LLOYD KUCZEK: Well, I think our next
21 step would be to notify the customer that we're going to
22 disconnect them.

23 MR. BOB PETERS: Okay, that's the threat.
24 You're going to disconnect them if you're not going to
25 pay your account. And if the customer still doesn't pay

1 the account, then Manitoba Hydro will spend more money
2 and -- and perhaps even carry through with the
3 disconnection?

4 MR. LLOYD KUCZEK: Yeah. I -- I don't
5 like the word "threat" because it's just really a
6 question of we're providing a service, and we'll just
7 stop providing the service and get further into bad debt
8 with that customer, and it's their choice whether or not
9 we -- we disconnect at that point.

10 MR. BOB PETERS: In my business we don't
11 like the word either. So you promise them that if they
12 don't pay, you promise you will disconnect them?

13 MR. LLOYD KUCZEK: We -- we just inform
14 them that's the next step.

15 MR. BOB PETERS: Fair enough. And all of
16 the time that we're doing all these steps, Mr. Kuczek,
17 we're -- the Utility is spending money?

18 MR. LLOYD KUCZEK: I -- I won't say we're
19 not spending money, it just varies with each step, right.

20 MR. BOB PETERS: The letters, the phone
21 calls, the -- the disconnection, all of that is costing
22 money that the Corporation won't incrementally recover
23 from that customer?

24 MR. LLOYD KUCZEK: We don't recover our
25 entire costs from that customer, no, not even the

1 reconnection cost, but we do -- we do charge the customer
2 eventually for getting the service connected again.

3 MR. BOB PETERS: Well, I haven't given
4 you the example where the customer reconnects. Let's
5 suppose that they are disconnected and they're still not
6 paying Manitoba Hydro. That's the point in time that you
7 might walk down to the legal department?

8 MR. LLOYD KUCZEK: I won't disagree with
9 you. It costs money to collect, and each one (1) of
10 those steps generally has a cost associated with it.

11 MR. BOB PETERS: Fair enough. And after
12 disconnection and still nonpayment by the -- by the
13 homeowner or the customer, you would resort to legal
14 collection processes?

15 MR. LLOYD KUCZEK: It depends on the
16 circumstances, but, yes, that is one (1) of the options.

17 MR. BOB PETERS: Is there a dollar
18 threshold at which point in time Manitoba Hydro will
19 proceed to legal collection as opposed to not proceeding
20 to legal collection?

21 MR. LLOYD KUCZEK: That certainly comes
22 into play, but I don't know what that is.

23 MR. BOB PETERS: It's a decision that's
24 made on a case-by-case basis.

25 MR. LLOYD KUCZEK: Again, I would have to

1 check whether we have a defined number in place that
2 would determine which path that we would take after that,
3 but we do hand over a number of our accounts to a
4 collection agency as well. That's another option that we
5 use.

6 MR. BOB PETERS: All right. Maybe you
7 could undertake to provide the Board with if there is a
8 dollar threshold amount or other factors that determine
9 when a matter is proc -- proceeded to legal collection or
10 not. That would be of information of assistance to the
11 Board.

12 MR. LLOYD KUCZEK: Will do.

13

14 --- UNDERTAKING NO. 98: Manitoba Hydro to indicate if
15 there is a threshold dollar
16 amount or other factors that
17 determine when a matter
18 proceeds to legal collection

19

20 MR. ROBERT MAYER: I'm betting you
21 dollars to donuts that there's a ten thousand dollar
22 (\$10,000) threshold somewhere to keep you in small claims
23 court.

24

25

(BRIEF PAUSE)

1 MR. LLOYD KUCZEK: Just a bit of a
2 concern about letting the public know what our policies
3 are so that they can abuse them is the only concern we
4 have with regards to providing you with that information,
5 so.

6

7 CONTINUED BY MR. BOB PETERS:

8 MR. BOB PETERS: Well, please take that
9 into account when you answer the -- the undertaking and
10 your counsel can advise --

11 MR. LLOYD KUCZEK: Yes --

12 MR. BOB PETERS: -- as to ways to protect
13 that information if you feel it's of commercial
14 sensitivity.

15 MR. LLOYD KUCZEK: Will do.

16 MR. BOB PETERS: Mr. Kuczek, we're now in
17 my example to the point where the customer hasn't paid.
18 The customer may or may not be disconnected. One (1) of
19 the options is to send it to a collection agent. But
20 that really is again, usually sent out on a commission
21 basis, that if the collection agent collects they get a
22 certain percentage of the outstanding account?

23 MR. LLOYD KUCZEK: That's my
24 understanding.

25 MR. BOB PETERS: And that again

1 recognizes that it may be cheaper to send it out of
2 Manitoba Hydro than to keep the collection processes
3 going inside of Manitoba Hydro?

4 MR. LLOYD KUCZEK: In theory, if we have
5 our collection processes designed to the optimum that
6 would be true.

7 MR. BOB PETERS: And at some point if the
8 collection agency route isn't effective, that may then
9 result in the issuing of a -- a lawsuit, a statement of
10 claim issued against the account holder?

11 MR. LLOYD KUCZEK: We would have to make
12 that decision on a case-by-case basis. The other
13 alternative option is to write it off.

14 MR. BOB PETERS: At some point in time
15 you throw up your hands and say, Look it, we've -- we're
16 spending good money chasing bad money, let's -- let's not
17 waste our time, effort, and further expense is what
18 you're saying?

19 MR. LLOYD KUCZEK: That's correct.

20 MR. BOB PETERS: But in the cases where
21 you do proceed to legal collection if the account is
22 significant or the principal is significant enough to
23 proceed to legal collection, one (1) of the remedies is
24 to take it to small claims court or the Court of Queen's
25 Bench?

1 MR. LLOYD KUCZEK: That's correct.

2 MR. BOB PETERS: And as indicated by the
3 Vice-Chair, there's a ten thousand dollar (\$10,000)
4 monetary limit in that court and that would be the
5 threshold by which any accounts under ten thousand
6 dollars (\$10,000) would be -- would be sought to be
7 recovered?

8 MR. LLOYD KUCZEK: I'll accept that.

9 MR. BOB PETERS: And if you had customers
10 who were in arrears for more than ten thousand dollars
11 (\$10,000), you would take it to the Court of Queen's
12 Bench itself and not just small claims court.

13 Would you understand that to be correct?

14 MR. LLOYD KUCZEK: I'm informed that's
15 correct.

16 MR. BOB PETERS: All right. And again,
17 once you are in the small claims court, let's assume, and
18 Manitoba Hydro is successful in proving their claim. At
19 the end of the small claims process, Manitoba Hydro will
20 receive a piece of paper or a judgment indicating they
21 were successful for a certain dollar amount?

22 MR. LLOYD KUCZEK: I'll accept that.

23 MR. BOB PETERS: And once Manitoba Hydro
24 has that judgment in terms of a piece of paper, is it
25 correct that Manitoba Hydro has a number of options as to

1 how to then collect on that judgment?

2 MR. LLOYD KUCZEK: This area is new to
3 me, so I'm -- I'm looking at our -- yes, that's correct.

4 MR. BOB PETERS: All right. Where I
5 wanted to go is once Manitoba Hydro has a judgment it can
6 seek to recover the amount of the judgment from,
7 essentially, the personally property of the debtor or the
8 real property of the debtor.

9 Is that also your understanding?

10 MR. LLOYD KUCZEK: Yes.

11 MR. BOB PETERS: And in terms of the --
12 the personal property, Manitoba Hydro would seek to -- it
13 -- it could try to garnish wages if they knew where the
14 customer or the -- the judgment debtor worked?

15 MR. LLOYD KUCZEK: That's my
16 understanding.

17 MR. BOB PETERS: And I suppose you could
18 seize automobiles or other personal property if it was
19 unencumbered and -- and worth at least as much as your
20 judgment?

21 MR. LLOYD KUCZEK: Correct.

22 MR. BOB PETERS: All right. And now all
23 of this account arose because you were providing
24 electricity to a service address or a house. And if that
25 house and piece of real property is owned by the

1 customer, Manitoba Hydro could also register the judgment
2 as against the real property?

3 MR. LLOYD KUCZEK: Correct.

4 MR. BOB PETERS: And when a real -- when
5 a judgment is registered against a piece of real property
6 it would form a -- what they would call an encumbrance on
7 the certificate of title, which means that Manitoba Hydro
8 is giving notice that it's claiming an interest to some
9 extent in that real property?

10 MR. LLOYD KUCZEK: Okay.

11 MR. BOB PETERS: This is getting easier,
12 I think I'm going to start over.

13 MR. LLOYD KUCZEK: I -- I'm enjoying --
14 I'm enjoying the lesson. This is good.

15 MR. BOB PETERS: Mr. Kuczek, is it your
16 understanding that a judgment registered against real
17 property has a ten (10) year lifespan?

18 MR. LLOYD KUCZEK: I understand that.

19 MR. BOB PETERS: And so in those ten (10)
20 years on which Manitoba Hydro's judgment is on the title,
21 Manitoba Hydro has an option to try to force the sale of
22 the real property in terms of recovering its judgment?

23 MR. LLOYD KUCZEK: I'll accept that.

24 MR. BOB PETERS: And to your knowledge,
25 Manitoba Hydro has seldom, if ever, gone that route for a

1 residential account?

2 MR. LLOYD KUCZEK: I'd be surprised if we
3 did, yes.

4 MR. BOB PETERS: And if after ten (10)
5 years the judgment has not been satisfied monetarily
6 Manitoba Hydro would have the option to re-sue on that
7 judgment to seek to extend -- extend the judgment for a
8 further period?

9 MR. LLOYD KUCZEK: That's my
10 understanding.

11 MR. BOB PETERS: And again, Manitoba
12 Hydro would include in its judgment the interest that is
13 prescribed by the judgment itself at the court rates that
14 are set out by regulation?

15 MR. LLOYD KUCZEK: That's my
16 understanding as well.

17 MR. BOB PETERS: All right. And again,
18 to your knowledge Manitoba Hydro has seldom, if ever,
19 forced a judgment sale on real property to recover a --
20 an account?

21 MR. LLOYD KUCZEK: I -- I'm -- I'm not
22 aware of any, so -- but I'm not knowledgeable in this
23 area so that's -- it's likely not the case, though.

24 MR. BOB PETERS: All right. You're
25 telling the Board in a -- in a subtle way that it's more

1 likely Manitoba Hydro will have written it off as a bad
2 debt before it goes to the nth degree to collect it?

3 MR. LLOYD KUCZEK: I -- I think we would
4 make a -- a logical business decision at some point that
5 made sense from our perspective in terms of weighing the
6 costs of continuing to pursue collecting the amount or
7 just writing it off.

8 MR. BOB PETERS: And -- and that's the
9 point, is that there's an economic point by which seeking
10 to recover the non-payment becomes just too cost
11 prohibitive?

12 MR. LLOYD KUCZEK: Correct.

13 MS. MARLA BOYD: I guess the point
14 missing in th -- Mr. Peters, in your lesson on judgment
15 collection is that if the property is sold in the period
16 while a judgment is registered that Manitoba Hydro is
17 then required to be paid out of the proceeds of sale.

18

19 CONTINUED BY MR. BOB PETERS:

20 MR. BOB PETERS: Actually it -- we're
21 coming to that, but what we can -- we can -- let's -- Mr.
22 -- I had indicated, Mr. Kuczek, that Manitoba Hydro could
23 force the sale of the property to recover its judgment,
24 and your evidence to the Board is to the effect that
25 seldom if ever has Manitoba Hydro done that.

1 MR. LLOYD KUCZEK: Yeah, just to be
2 accurate, I'm not aware of it. But again, I haven't been
3 working in this area for that long, so -- but I am not
4 aware of any.

5 MR. BOB PETERS: Mr. Warden, not that you
6 would have necessarily been there longer, but if you
7 have, would you have any knowledge of Manitoba Hydro ever
8 forcing a judgment sale on a residential property to
9 collect an outstanding account and judgment?

10 MR. VINCE WARDEN: I'm not aware of that.
11 And I think there are a number of reasons why we wouldn't
12 do that. First of all, the -- on a resi -- residential
13 account, typically the amount involved is relatively
14 small. And the major reason that we don't pursue
15 residential accounts or write those residential accounts
16 off is that we're unable to late -- locate the customer.
17 So the customer is moved elsewhere, it's -- it could be
18 an apartment dweller.

19 But very -- very seldom would we have a
20 residence that's sitting there without electricity and we
21 -- we won't reconnect until such time as we're paid. So
22 the fact that we're able to have that in our arsenal, so
23 to speak, to enforce payment is -- is pretty strong. So
24 we don't have to go the -- the more costly route that
25 you've just outlined to us, Mr. Peters.

1 MR. BOB PETERS: And following it one (1)
2 step further, as Ms. Boyd has indicated, that if for any
3 reason the registered owner of the property decides to
4 sell the real estate within that ten (10) year period of
5 time, Manitoba Hydro's judgment appears as one (1) of the
6 encumbrances on the title to which Manitoba Hydro would
7 be entitled to pay if there are sufficient funds.

8 MR. VINCE WARDEN: Yes, it -- it --
9 again, if we went the -- the court route that you
10 described.

11 MR. BOB PETERS: All right. Mr. Kuczek,
12 Mr. Warden, has Manitoba Hydro ever voluntarily with a
13 consumer entered into an arrangement where an encumbrance
14 is registered against the title of a home in respect of a
15 Manitoba Hydro debt?

16
17 (BRIEF PAUSE)

18
19 MR. VINCE WARDEN: Mr. Peters, because
20 none of us can really recall an instance, I think it
21 points to the fact that this rarely, if ever, occurs.

22 MR. BOB PETERS: Thank you. Those are my
23 questions in that area, and subject to any further from
24 the Board, I'd like to thank Mr. Kuczek at this time, and
25 I'll turn my attention, Mr. Wiens, over to you, if -- if

1 you're ready.

2 MR. ROBIN WIENS: Ready or not, Mr.
3 Peters.

4 MR. BOB PETERS: I want to talk about
5 cost of service study with you, Mr. Wiens.

6 In the proceeding that's before the Board,
7 Manitoba Hydro is not asking for any orders or relief
8 from this Board related to cost of service study
9 methodology, is it?

10 MR. ROBIN WIENS: No, sir, we're not.

11 MR. BOB PETERS: The cost of service
12 study, you've told this Board, Mr. Wiens, is a tool used
13 by Manitoba Hydro to assist in the allocation of costs to
14 various customer classes.

15 MR. ROBIN WIENS: Yes.

16 MR. BOB PETERS: And the allocation of
17 costs would be to one (1) of the seven (7) customer
18 classes of Manitoba Hydro, and I'm thinking residential,
19 the general service small, the general service medium,
20 the general service large, area and roadway lighting,
21 diesel, and the extraprovincial.

22 MR. ROBIN WIENS: Yes, that -- that would
23 be correct. We -- we do for some purposes distinguish
24 between demand build and non-demand build, small general
25 service, but --

1 MR. BOB PETERS: There are sub --

2 MR. ROBIN WIENS: -- you -- you've got it
3 substantially --

4 MR. BOB PETERS: -- subclasses of those--

5 MR. ROBIN WIENS: -- correct.

6 MR. BOB PETERS: -- of those classes.

7 MR. ROBIN WIENS: Yes.

8 MR. BOB PETERS: And would it be correct
9 for the Board to understand, Mr. Wiens, that the
10 principle that drives Manitoba Hydro's cost of service
11 study is cost causation?

12 MR. ROBIN WIENS: Yes, I would say to the
13 extent that it is possible to reflect it in methods that
14 are available to us, we try to reflect cost causation.

15 MR. BOB PETERS: And Manitoba Hydro
16 considers that if cost causation can be used to identify
17 which classes are responsible for certain costs, that
18 equates to an equitable sharing of the costs among those
19 classes.

20 MR. ROBIN WIENS: Yes.

21 MR. BOB PETERS: And Manitoba Hydro has
22 used a cost of service study for -- for decades, Mr.
23 Wiens?

24 MR. ROBIN WIENS: Yes.

25 MR. BOB PETERS: And there are regular

1 modifications being sought by Manitoba Hydro from this
2 Board from time to time?

3 MR. ROBIN WIENS: Yes.

4 MR. BOB PETERS: No modifications are
5 being sought in the current general rate application?

6 MR. ROBIN WIENS: Well, modifications are
7 not being formally sought in the general rate
8 application. I -- you have read, I -- I assume you have
9 the 2010 and 2011 prospective cost of service studies.
10 You will see that there are some modifications that have
11 been made relative to previous studies, and some
12 modifications that have been directed to us that have not
13 been made in those studies.

14 MR. BOB PETERS: And neither of the 2010
15 or 2011 cost of service study has been approved by this
16 Board.

17 MR. ROBIN WIENS: No, sir.

18 MR. BOB PETERS: I am correct that
19 neither of those two (2) studies have been approved by
20 this Board?

21 MR. ROBIN WIENS: I have seen nothing
22 that suggests that this Board has approved either of
23 these studies.

24 MR. BOB PETERS: Thank you for that
25 answer. Mr. Wiens, back in 2005 or 2006 this Board

1 conducted a specific review of Manitoba Hydro's cost of
2 service methodology?

3 MR. ROBIN WIENS: I have some
4 recollection of it, Mr. Peters.

5 MR. BOB PETERS: And you recall that
6 because you were front and centre, in large part, on that
7 matter, were you not, Mr. Wiens?

8 MR. ROBIN WIENS: I definitely did
9 participate in that proceeding.

10 MR. BOB PETERS: And that proceeding gave
11 rise to Board Order 117 of '06, you would recall?

12 MR. ROBIN WIENS: Yes, I do.

13 MR. BOB PETERS: And in that order,
14 Manitoba Hydro was to refile its cost of service study
15 methodology in accordance with various directives that
16 this Board had set out.

17 MR. ROBIN WIENS: I do recall that.

18 MR. BOB PETERS: And you'll recall that
19 clarifications of those directives were sought by
20 Manitoba Hydro, and this Board provided further
21 directives and clarifications in orders 90 of '08 and 116
22 of '08?

23 MR. ROBIN WIENS: I -- yes, I re --
24 certainly recall 116 of '08.

25 MR. BOB PETERS: Would it be correct, Mr.

1 Wiens, that since 2006 Manitoba Hydro has not utilized a
2 cost of service study as a basis for differentiated rates
3 in any general rate application that is brought before
4 this Board?

5 MR. ROBIN WIENS: That is correct.

6 MR. BOB PETERS: Why is that the case,
7 Mr. Wiens?

8 MR. ROBIN WIENS: Because Manitoba Hydro
9 believes that we have not yet arrived at a cost of
10 service study that we have sufficient confidence in to
11 propose those types of differentiation.

12 MR. BOB PETERS: Mr. Wiens, conceptually,
13 once this Board approves a revenue requirement for
14 Manitoba Hydro, the next step then is for this Board to
15 set just and reasonable rates that allow Manitoba Hydro
16 to recover the approved revenue requirement?

17 MR. ROBIN WIENS: Yes.

18 MR. BOB PETERS: And if not -- if not
19 recover, an opportunity at least to recover the revenue
20 requirement that this Board has approved?

21 MR. ROBIN WIENS: Yes.

22 MR. BOB PETERS: Would it be correct to
23 say that once this Board provides Manitoba Hydro with an
24 approved revenue requirement, Manitoba Hydro has no
25 vested interest in which class pays which specific

1 amounts towards that revenue requirement?

2

3

(BRIEF PAUSE)

4

5 MR. ROBIN WIENS: Mr. Peters, I -- I'm
6 not sure that I can agree entirely with that -- with that
7 statement. Certainly if the rates that are approved by
8 the Board allow Manitoba Hydro a chance to recover its
9 revenue requirement, from a financial perspective that
10 may be true, that Manitoba Hydro doesn't have a vested
11 interest.

12 But if -- if the rates diverge in -- or
13 the approved rates diverge in any si -- significant
14 degree from what -- what Manitoba Hydro has requested, we
15 would probably have a concern to the extent that one (1)
16 customer class or another is affected more than we
17 thought it should be, but from a financial perspective,
18 no, you're correct, Mr. Peters.

19 MR. BOB PETERS: And while Manitoba Hydro
20 may have a concern that the rates from this Board diverge
21 from what Manitoba Hydro would -- would suggest or
22 recommend, it's ultimately this Board that would set what
23 are just and reasonable rates. Would you accept that?

24 MR. ROBIN WIENS: Absolutely.

25 MR. VINCE WARDEN: Sorry, Mr. Peters,

1 just one (1) qualification to that, and that's based on
2 an application by Manitoba Hydro. So I think it's up to
3 Manitoba Hydro to make a determination of what rate
4 increases are appropriate for the Utility, giving --
5 giving due consideration to ju -- just and reasonable,
6 and make a recommendation to this Board which this Board
7 can either approve or disapprove.

8 MR. BOB PETERS: And that's the usual
9 course, Mr. Warden, of the -- of the applications that
10 are made?

11 MR. VINCE WARDEN: Yes, I just wanted to
12 make sure that was -- that was clear.

13 MR. BOB PETERS: And in the applications
14 that are before the Board presently, all Manitoba Hydro
15 is asking for is a 2.9 percent and another 2.9 percent
16 average rate increase spread across all customer classes?

17 MR. VINCE WARDEN: With the exception of
18 area and roadway lighting, yes, that's correct.

19 MR. BOB PETERS: Oh, yes, I forgot about
20 them again. Well, let's just talk about that. Area and
21 roadway lighting is a customer that's not on Manitoba
22 Hydro's recommendation for a rate adjustment in this
23 Hearing.

24 Is that correct?

25 MR. ROBIN WIENS: Yes, that is.

1 MR. BOB PETERS: And that's the case
2 because that customer class is outside of Manitoba
3 Hydro's zone of reasonableness?

4 MR. ROBIN WIENS: Yes, in part. It's
5 because the customer class is -- is outside of the zone
6 of reasonableness, and it has historically been outside
7 of the zone of reasonableness. And there are, in my
8 belief, no -- no areas of outstanding controversy that
9 would affect that particular result.

10 MR. ROBERT MAYER: Mr. Wiens, I -- there
11 have been a number of rate increases now where area and
12 roadway lighting have been excluded. Have we narrowed
13 the gap?

14 MR. ROBIN WIENS: I -- I believe we have,
15 Mr. Mayer. I'm -- I'm not going to recall off the top of
16 my head where we're at in the PCOSS of 2011, but we're --
17 we're definitely below a hundred and ten (110) and we may
18 be in and around a hundred and five (105).

19

20 CONTINUED BY MR. BOB PETERS:

21 MR. BOB PETERS: Mr. Wiens, could we --

22 MR. ROBERT MAYER: I should tell you that
23 the Board would be interested in knowing that before it
24 makes any final order.

25

1 CONTINUED BY MR. BOB PETERS:

2 MR. BOB PETERS: Mr. Wiens, could we take
3 the Vice-Chair to page 124 of Board counsel's third book
4 of documents and maybe deal with that. That's found, Mr.
5 Wiens, Mr. Chairman and Vice-Chair, at Tab 47. This is
6 in Volume II of Board counsel's book of document and --
7 Volume II at Tab 47. And Volume II of Board counsel's
8 book of document is on the Board's website as PUB Exhibit
9 16.

10 MR. BYRON WILLIAMS: Could you hold just
11 a minute, Mr. Peters.

12 MR. BOB PETERS: Yes.

13

14 (BRIEF PAUSE)

15

16 MR. ROBIN WIENS: Yes, I have that, Mr.
17 Peters.

18 MR. BOB PETERS: I'll just allow my
19 friends opposite to electronically bring up the document.

20

21 (BRIEF PAUSE)

22

23 MR. BYRON WILLIAMS: Thank you, Mr.
24 Peters.

25

1 CONTINUED BY MR. BOB PETERS:

2 MR. BOB PETERS: And, Mr. Wiens, to
3 answer the Vice-Chair's direct question, looking at Tab
4 47 of Board counsel's book of document, you'll find an
5 extract on page 124 from Manitoba Hydro's March 31, 2011
6 Prospective Cost of Service Study.

7 MR. ROBIN WIENS: I have that.

8 MR. BOB PETERS: And Schedule B1, sir,
9 contains in the far right-hand column, the revenue to
10 cost coverage ratio as forecast at March 31, 2011?

11 MR. ROBIN WIENS: Yes.

12 MR. BOB PETERS: And if we go down to
13 area and roadway lighting which is just above the solid
14 line in the middle of the page, it shows that the revenue
15 to cost coverage ratio as calculated presently by
16 Manitoba Hydro is one oh five point two (105.2)?

17 MR. ROBIN WIENS: Yes.

18 MR. BOB PETERS: Can you recall, and I --
19 I may have it in my notes coming up, Mr. Wiens, as to
20 what the area and roadway lighting revenue to cost
21 coverage ratio was from a couple of GRAs ago, the -- no.

22 MR. ROBIN WIENS: That -- that would need
23 to be an undertaking. I don't recall exactly, Mr.
24 Peters.

25 MR. BOB PETERS: Let's just not give an

1 undertaking on that at present, Mr. Wiens. I -- I think
2 I can help the Board and you with that as we go forward.
3 In the GRA before this Board, Mr. Wiens, you filed not
4 only the 2011 cost of service study, but there was also a
5 2010 study filed, correct?

6 MR. ROBIN WIENS: Yes, I believe we filed
7 the 2010 study early on in the process and the 2011 study
8 came later.

9 MR. BOB PETERS: The zone of
10 reasonableness that I mentioned in a previous question to
11 you, sir, that is the -- I'll call it the arbitrary range
12 that Manitoba Hydro ascribes to a customer revenue to
13 cost ratio fitting into a reasonable boundary for rate
14 setting purposes?

15 MR. ROBIN WIENS: Well, you use the term
16 arbitrary, Mr. Peters, and we haven't talked about this
17 zone of reasonableness for some time, but my
18 understanding has been that while Manitoba Hydro did
19 propose it sometime back, it seems to have been generally
20 accepted, so -- if we're referring to ninety-five (95) to
21 one oh five (105).

22 MR. BOB PETERS: All right. And that's
23 what we want to confirm is that presently the zone of
24 reasonableness is 95 percent to 105 percent of a customer
25 classes costs being recovered in the rates charged to

1 that class?

2 MR. ROBIN WIENS: Yes.

3 MR. BOB PETERS: And there was a time,
4 was there not, Mr. Wiens, where that zone of
5 reasonableness was broader than plus or minus five (5)
6 percentage points?

7 MR. ROBIN WIENS: Yes, there was.

8 MR. BOB PETERS: Do you recall how broad
9 it was at one (1) point?

10 MR. ROBIN WIENS: Well, I believe when we
11 -- during the time that I've been present to either
12 witness or participate in these discussions. Back in the
13 very early 1990s we brought a proposal for one (1) --
14 eighty-five (85) to one-fifteen (115). And subject to a
15 number of improvements being made in terms of the data
16 that entered into the cost of service study, shortly
17 after that we thought one hundred (100) or ninety (90) to
18 one hundred and ten (110) would be reasonable.

19 MR. BOB PETERS: And you acknowledge for
20 the area and roadway lighting category that it has been
21 outside the zone of reasonableness for a period of time,
22 and that was one (1) of the factors that led Manitoba
23 Hydro to not seek a rate increase for that class?

24 MR. ROBIN WIENS: Well, I believe, Mr.
25 Peters, to be absolutely correct about this, I think our

1 original application did seek some increase. I don't
2 have the exact amount right at the top of my head. It
3 was denied in the interim order and Manitoba Hydro made
4 the decision subsequently when it updated the rates it
5 was requesting for April 1, 2011, to exempt that class
6 from an increase again.

7 MR. BOB PETERS: And again primarily for
8 the reason that it was outside the zone of
9 reasonableness?

10 MR. ROBIN WIENS: That's correct.

11 MR. ROBERT MAYER: Mr. Wiens, I guess the
12 question I'm asking, the -- I'm taking it that Schedule
13 1B (sic), the one hundred and five point two (105.2) does
14 not take into account the two point five (2.5) interim
15 rate increase, and that when area and roadway lighting
16 was excluded at least on an interim basis from that rate
17 increase, they may well now fall within the ra -- the
18 zone of reasonableness.

19

20 (BRIEF PAUSE)

21

22 MR. ROBIN WIENS: We just confirmed that
23 there is no rate increases at all included in the
24 determination of the hundred and five point two (105.2)
25 for area and roadway lighting. When we made the -- when

1 we did PCOSS 2011 we assumed no rate increase for area
2 and roadway lighting.

3

4

(BRIEF PAUSE)

5

6 THE CHAIRPERSON: It's probably
7 worthwhile to recall a past order that got into this
8 matter to some degree and talked about the -- the Board
9 was not restricting itself to the RCCs with respect to
10 the setting of rates, that other factors could come into
11 play as well. MR. ROBIN WIENS: Yes, I think that's
12 always been a consideration that -- that primarily, assu
13 -- assuming that we had results that we were confident in
14 that it would be the primary determination, but there
15 were other factors that either Manitoba Hydro or the
16 Board in its decisions could take into account.

17 And Mr. Mayer, just to close -- or to try
18 to be more responsive to your question on the -- what's
19 included in the RCC for area and roadway lighting, this
20 document, the Cost of Service Study for 2011, was filed
21 in May of 2010. This was after we had received the order
22 on interim rates and had placed the -- and had made the
23 rate changes for April the 1st. And we assumed that
24 there was -- neither of those increases would affect the
25 area and roadway lighting class of customer.

1 So it assumes zero percent April the 1st,
2 which is in fact what was directed by the Board, and we
3 assumed in here that there would be zero percent for
4 April the 1st of 2011 as well.

5

6 CONTINUED BY MR. BOB PETERS:

7 MR. BOB PETERS: Mr. Wiens, did other
8 rate classes in this table have the requested rate
9 increases applied to them?

10 MR. ROBIN WIENS: Yes, Mr. Peters.

11 MR. BOB PETERS: Thank you. Mr. Wiens,
12 while we're open to page 124 at Tab 47 of Board counsel's
13 book of documents, the -- one (1) of the other classes
14 that appears outside the zone of reasonableness is the
15 general service large greater than 100 kV, correct?

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

17 MR. BOB PETERS: That class has been
18 outside the zone of reasonableness again for a
19 considerable period of time?

20 MR. ROBIN WIENS: That is also correct.

21 MR. BOB PETERS: And why is it that
22 Manitoba Hydro has not requested an exemption for
23 customers in that class?

24 MR. ROBIN WIENS: Well, Mr. Peters, as I
25 mentioned earlier with the -- respect to the area and

1 roadway lighting, there does not, in our minds anyway,
2 there is no controversy with respect to that result.

3 We are still concerned that we haven't got
4 the cost of service study right in the case of the other
5 classes, and it is for that reason that we have not
6 proposed any -- or to differentiate the rate increase
7 among any of the other classes.

8 MR. BOB PETERS: And so the information -
9 - or the -- the cost of service studies that have been
10 filed in these proceedings are filed for information
11 only.

12 MR. ROBIN WIENS: I -- I believe we
13 actually stated that in -- in the application.

14 MR. BOB PETERS: What Manitoba Hydro has
15 done on that regard, Mr. Wiens, is some five (5) years
16 after this Board's comprehensive review of cost of
17 service issues, Manitoba Hydro has issued Appendix 60 to
18 your application, which is, Terms of Reference for
19 External Review of Manitoba Hydro's Cost of Service
20 Study.

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

22 MR. BOB PETERS: And these terms of
23 reference, I -- I don't have them in the book of
24 documents, but Manitoba Hydro has gone out, Mr. Wiens, to
25 solicit consultants to provide Manitoba Hydro with a new

1 way to calculate cost of service study.

2 MR. ROBIN WIENS: No, Mr. Peters, that's
3 not quite correct. We have put out a request for
4 proposals for consultants to do a review of the cost of
5 service study and, where appropriate, to make
6 recommendations for change.

7

8 (BRIEF PAUSE)

9

10 MR. BOB PETERS: These consultants have
11 been identified and retained already, Mr. Wiens?

12 MR. ROBIN WIENS: Yes, they have.

13 MR. BOB PETERS: Are you prepared to
14 identify them on the record?

15 MR. ROBIN WIENS: Yes. We have retained
16 Christensen & Associates, a consulting firm out of
17 Madison, Wisconsin.

18 MR. BOB PETERS: They -- Christensen &
19 Associates were to commence their work in October of
20 2010. Did they do so?

21 MR. ROBIN WIENS: I -- I would say it was
22 more towards the end of November, Mr. Peters.

23 MR. BOB PETERS: And they were to
24 complete their work by early 2011, if I recall the
25 filing. Have they done that?

1 MR. ROBIN WIENS: Our expectation at the
2 time was somewhere early in the April or so time frame.
3 We're probably -- we started late, and so we're probably
4 going to be -- it will -- it will take a similar amount
5 of period, so we're probably looking at May, early June,
6 at this point.

7 MR. BOB PETERS: Has Manitoba Hydro
8 identified a cost for doing this service study -- cost of
9 service study review?

10 MR. ROBIN WIENS: Mr. Peters, I'm advised
11 that we did file that information with the Public
12 Utilities Board. Not in this proceeding, it's in the
13 parallel proceeding on the gas side that's going on.
14 There was an information request requesting that
15 information. We have a -- a budget for the external part
16 of the review at a hundred and five thousand (105,000) is
17 my recollection.

18

19 (BRIEF PAUSE)

20

21 THE CHAIRPERSON: Just for context while
22 Mr. Peters is flipping through his notes, just general
23 context, of the area and roadway lighting on page 124 of
24 Tab 47, class revenue is listed at approximately 20
25 million. What proportion of that has to do with the City

1 of Winnipeg?

2 MR. ROBIN WIENS: The City of Winnipeg is
3 around half of that amount, maybe slightly more than
4 half, but it's --

5 THE CHAIRPERSON: That was my
6 understanding.

7 MR. ROBIN WIENS: -- 50, 52 percent.

8

9 CONTINUED BY MR. BOB PETERS:

10 MR. BOB PETERS: Mr. Wiens, on that
11 point, the area and roadway lighting would also include,
12 would it not, farmers who have a sentinel light on their
13 yard?

14 MR. ROBIN WIENS: Area and roadway
15 lighting includes any separately billed space lighting,
16 external exterior space lighting, so it includes street
17 lights in the -- in Winnipeg, and in the cities and
18 towns, including those sentinel lights that often appear
19 in back lanes; they're a much smaller arm. And it
20 includes sen -- sentinel lights that are on private
21 property that are billed separately from the main bill of
22 the -- of the -- of the customer occupying that property.

23 MR. BOB PETERS: They wouldn't be billed
24 sep -- or metered separately would they?

25 MR. ROBIN WIENS: No, they're not

1 metered. These -- these are flat monthly rates.

2

3

(BRIEF PAUSE)

4

5 MR. ROBERT MAYER: So anything that's
6 connected to your household system, like some people have
7 these security lights that come on when you walk by their
8 house, which become amazingly annoying if you happen to
9 have one (1) pointed the wrong way, but those are --
10 those are metered like the rest of your material, I take
11 it?

12 MR. ROBIN WIENS: Mr. Mayer, they're all
13 through my back lane. I share your sentiments. And,
14 yes, they're metered on the household meter.

15

16 CONTINUED by MR. BOB PETERS:

17 MR. BOB PETERS: Mr. Wiens, in Board
18 Order 117 of '06 this Board adjudicated on the cost of
19 service study issues at that time, correct?

20 MR. ROBIN WIENS: Yes, the Board issued
21 an order pursuant to the hearing it held during 2006 up
22 until June or so, and I believe the order came out late
23 in the summer or early in the fall.

24 MR. BOB PETERS: And we already
25 acknowledged that there were some additional questions or

1 clarifications requested by Manitoba Hydro, or at least
2 given by the Board in Orders 90 as well as 116 of '08?

3 MR. ROBIN WIENS: Yes. Again, Mr.
4 Peters, I -- I hope you're not going to ask me in detail
5 about 90. I don't recall, but I -- I definitely recall
6 116/'08.

7 MR. BOB PETERS: And those Board
8 pronouncements that the Board made in those orders, Mr.
9 Wiens, there's been no application by the Utility to
10 review and vary them.

11 Is that correct?

12 MR. ROBIN WIENS: That's correct.

13 MR. BOB PETERS: And there's also been no
14 attempt by the Utility to use the resulting cost of
15 service study from those Board directives for
16 differentiated rates, correct?

17 MR. ROBIN WIENS: That is also correct.

18 MR. BOB PETERS: And I'm hearing --
19 you're saying to the Board the only reason you haven't
20 brought forward differentiated rates is because you don't
21 agree with the Board's pronouncements back in Orders 117
22 of '06, 90 of '08, and 116 of '08?

23 MR. ROBIN WIENS: That's correct, Mr.
24 Peters. We don't think we've finally arrived.

25 MR. BOB PETERS: And there's been --

1 there's been no new issues that have given rise to that
2 concern of Manitoba Hydro. You're still dealing with the
3 concerns that were before the Board in '06 and '08?

4 MR. ROBIN WIENS: That's correct.

5 MR. BOB PETERS: Has Manitoba Hydro given
6 to Christensen & Associates from Madison, Wisconsin all
7 of the information that was before the Public Utilities
8 Board?

9 MR. ROBIN WIENS: Yes, we've made the
10 record available to them.

11 MR. BOB PETERS: Including the Board's
12 orders?

13 MR. ROBIN WIENS: Yes, we have.

14 MR. BOB PETERS: And has Manitoba Hydro
15 been meeting with this consultant yet, or is it too early
16 for that to happen?

17 MR. ROBIN WIENS: No, we've had a number
18 of meetings with the consultant, both in person and
19 through conference call.

20 MR. BOB PETERS: And you said that the
21 purpose of their engagement was to review the cost of
22 service study and make recommendations?

23 MR. ROBIN WIENS: Yes, if -- if I can
24 read specifically from the summary of the terms and
25 conditions is that:

1 "The deliverable will be a report which
2 recommends a cost of service
3 methodology most appropriate to
4 Manitoba Hydro's electricity and
5 natural gas systems and which
6 incorporates best practices within the
7 energy utility industry in North
8 America."

9 MR. BOB PETERS: And if you look to the
10 first paragraph and first sentence of your terms of
11 reference, Mr. Wiens, you're essentially asking the
12 consultants to redevelop the cost of service study?

13 MR. ROBIN WIENS: If appropriate.

14 MR. BOB PETERS: Would it be correct, Mr.
15 Wiens, and not too fine of a point to put on it that
16 Manitoba Hydro thinks the Board got it wrong, and until
17 the Board gets it right they're not going to bring
18 forward differentiated rates?

19 MR. ROBIN WIENS: Well, I -- I think
20 there's maybe two (2) parts to that, Mr. Peters.
21 Manitoba -- I think, first of all, to clarify, Manitoba
22 Hydro is not bringing forward differentiated rates. The
23 -- the Board, if it believes they should be, has the
24 power to do that.

25 And one (1) concern, yes, we -- we are

1 particularly -- and I think we've identified that concern
2 in -- in our application, is that the treatment of
3 costing to the export class of service, we have some
4 disagreements with what the Board has prescribed, but it
5 -- it's not only that.

6 It is the -- there is an issue outstanding
7 which is mentioned, it's highlighted in the terms of
8 reference that we gave to the consultant, the potential
9 role of marginal cost in preparing the study, which has
10 not been resolved. And we've asked the consultant to
11 provide us some guidance with respect to that as well.

12 MR. VINCE WARDEN: And, Mr. Peters, I --
13 I wouldn't go so far as to say that the Board got it
14 wrong. I think it's our job to make our case before the
15 Board, and obviously we didn't convince them appropr --
16 as to the merits of our approach in the hearing that you
17 referenced.

18 It is complicated though, how -- how we
19 handle the export class and how export revenues are --
20 are allocated amongst customer classes. So it -- it's
21 actually quite refreshing to get a perspective of -- of
22 consultants that have expertise in this area. So I do
23 believe that when we bring back a proposal to this Board
24 that we'll be better able to make our case than we did
25 the last time around.

1 MR. BOB PETERS: So how do you --

2 MR. VINCE WARDEN: So I wouldn't --
3 wouldn't like to leave it that the Board got it wrong.

4 MR. BOB PETERS: How do you know
5 Christensen & Associates will support Manitoba Hydro's
6 position? Is that part of the assignment?

7 MR. VINCE WARDEN: They may not, but, you
8 know, it's the job I think of any consultant to make
9 their case, and we're -- so far we've been impressed with
10 what we -- what -- with what we've heard.

11 MR. BOB PETERS: You're understanding
12 that their -- their thinking much along the lines of
13 Manitoba Hydro?

14 MR. VINCE WARDEN: No, I wouldn't say
15 that. They have some innovative ideas that I think are
16 worth consideration, but we're not at that point yet
17 where they've made their recommendations.

18 MR. BOB PETERS: Will Christensen &
19 Associates be given the Board's pronouncements to be used
20 as at least a base case in their development of their
21 scenarios?

22 MR. ROBIN WIENS: I think that the
23 consultant has been given the Board's pronouncements and
24 will certainly consider them in developing their
25 recommendations.

1 MR. BOB PETERS: You don't know what use,
2 if any, they're going to use with the Board decisions
3 already?

4 MR. ROBIN WIENS: It's essential
5 background reading for their assignment.

6 MR. BOB PETERS: So you also acknowledge,
7 gentlemen, that there are judgments that are made in a
8 cost of service study in the methodology that is
9 selected?

10 MR. VINCE WARDEN: Absolutely.

11 MR. BOB PETERS: And in terms of
12 judgments, much like there may be intervenors disagreeing
13 with certain rates, there are judgments that may be on
14 each side of the issue?

15 MR. VINCE WARDEN: Yes.

16 MR. BOB PETERS: And so while you respect
17 the Board has given its judgment on it, you disagree with
18 the Board's judgment relative to export class cost
19 allocation is what I hear?

20 MR. ROBIN WIENS: Yes, we do.

21 MR. BOB PETERS: And as for the
22 marginaliz -- sorry, as for the marginal costing
23 methodology, that's an extant issue, an issue that has
24 not yet been addressed, one (1) which Christensen &
25 Associates may or may not address?

1 MR. ROBIN WIENS: Well, Mr. Peters, I can
2 tell you they will address it and they may come back and
3 say, you know, we -- we've considered this and we don't
4 think marginal cost has any role and here are the reasons
5 why, but they will definitely be considering it.

6 MR. BOB PETERS: All right. And -- and
7 your example highlights my point is that they -- they may
8 provide something substantive or they may dismiss it for
9 -- for philosophical or cost of service methodology
10 reasons?

11 MR. ROBIN WIENS: Yes.

12 MR. BOB PETERS: Is there any other area
13 other than the export class costing that has caused
14 Manitoba Hydro not to use cost of service methodology to
15 seek differentiated rates since Board Order 117 of '06?

16

17 (BRIEF PAUSE)

18

19 MR. ROBIN WIENS: Well, I -- I would say
20 yes there is. And I believe that in our rebuttal
21 evidence we responded to that where we said, yes, we --
22 we believe that a large number of the issues that were
23 outstanding in 2006 have been resolved. The question of
24 the treatment of exports, how you allocate costs to them,
25 how you allocate net benefits back to customer classes is

1 an area that we think more work needs to be done.

2 And then as -- again, as I mentioned
3 earlier, the directive that came out of 116/'08 and
4 150/'08, Directive number 20 if -- as I recall it, I -- I
5 may not quite have that right, having to do with the role
6 of marginal costs has never been resolved. And those are
7 the two (2) issues that are -- that substantively are at
8 play here.

9 MR. BOB PETERS: Just one (1) area before
10 I ask for the lunch recess if I might, Mr. Chairman and
11 Vice-Chair. It deals with the Vice Chair's question on
12 area and roadway lighting.

13

14 (BRIEF PAUSE)

15

16 MR. BOB PETERS: I went back, Mr. Wiens,
17 into cost of service studies that -- that the Corporation
18 had, and would you accept, subject to check, that the are
19 -- the revenue to cost coverage ratio for area and
20 roadway lighting in the cost of service for '08 was 105.8
21 percent?

22 MR. ROBIN WIENS: Subject to check, yes.

23 MR. BOB PETERS: And then in the cost of
24 service study for 2010, which is part of the filings but
25 not in my book of documents, the cost of service study

1 was only one hundred (100) for area and roadway lighting?

2 MR. ROBIN WIENS: Yes.

3 MR. BOB PETERS: And then even though no
4 rate increases were ascribed to that class, their new
5 cost -- their new revenue to cost coverage ratio as shown
6 at Tab 47, page 124 that you reviewed with the Vice-
7 Chair, it's back up to one hundred and five point two
8 (105.2)?

9 MR. ROBIN WIENS: Yes.

10 MR. BOB PETERS: Is there any explanation
11 you can give the Board before lunch as to why that matter
12 has gone from one-oh-five point eight (105.8) to one
13 hundred (100) to one-oh-five point two (105.2)?

14 THE CHAIRPERSON: Mr. Peters, we've got
15 something else to attend to over the lunch hour, so that
16 will leave Mr. Wiens an opportunity to ponder that
17 thought. So we'll come back at 1:15. Thank you.

18

19 --- Upon recessing at 12:03 p.m.

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

21

22 THE CHAIRPERSON: Welcome back, everyone.
23 Mr. Peters, if you want to continue from where you left
24 off, or move onto something else.

25 MR. BOB PETERS: Yes, thank you.

1 CONTINUED BY MR. BOB PETERS:

2 MR. BOB PETERS: I think we left off with
3 my having asked Mr. Wiens a question that may have served
4 as his appetizer for the lunch recess, and he was going
5 to give it some thought and come back.

6 Mr. Wiens, have you had a chance to
7 consider the area and roadway lighting revenue to cost
8 coverage ratios and why they may have fluctuated as I
9 suggested prior to the lunch recess?

10 MR. ROBIN WIENS: Right. And if I can
11 just reset the context to here, you had commented that we
12 were showing revenue cost coverage of about a hundred and
13 five point eight (105.8) in 2008, and we dropped to 100
14 percent in 2010, and then we came back up to one hundred
15 and five point two (105.2) in 2011.

16 And there is a -- there's actually an
17 information request on the record that I don't know that
18 it was dealing with that particular question, but it does
19 provide basically the response that you're looking for.

20 In the 2010 study, the -- what happened
21 was that Manitoba Hydro's cost of service study
22 overstated the direct operating costs for street lights
23 by about 1.75 million. And that response is provided in
24 Information Request from the City, Supplementary number
25 6, and that -- that error was corrected in the 2011

1 study, but we -- we haven't gone back and made the
2 changes in 2010.

3 MR. BOB PETERS: Mr. Wiens, from a
4 conceptual basis, if since 2006 the rate increases to
5 each of the customer classes has been on average the
6 same, would that cause the revenue to cost ratios to
7 diverge from unity, or would it cause them to get closer
8 to unity, or neither?

9 MR. ROBIN WIENS: Well, I'm going to give
10 you a high-level conceptual answer, Mr. Peters, and
11 generally if all of the classes have the same rate
12 increase, provided nothing else changes of substance,
13 they should not change very much.

14 MR. BOB PETERS: There's no compounding
15 effect that -- that causes them to diverge?

16 MR. ROBIN WIENS: Well, let's deal with
17 this one (1) at a time. You said if all the classes have
18 the same rate increase. No, there's probably not a
19 compounding effect. There may be some minor effects
20 because, you know, you would have to assume that the
21 costs changed pari passu with the -- with the revenues in
22 a similar way.

23 And if they did not, if there was a
24 significant change in the makeup of the cost, you could
25 have some changes in the revenue cost coverage of the

1 customer classes even with equal rate increases, but it's
2 not likely to be significant.

3 MR. BOB PETERS: So --

4 MR. ROBIN WIENS: Now, if you have a
5 class that is exempted from a rate increase, that should
6 tend to pull it towards -- towards 100 percent, other
7 things being equal.

8 MR. BOB PETERS: And I think that was the
9 Vice-Chair's point with you, is that even with the area
10 and roadway lighting not experiencing rate increases of
11 the last interim rate increase, it doesn't seem to be
12 being brought below 105 percent, although it has
13 marginally decreased from 105.8 to 105.2 over two (2)
14 years?

15 MR. ROBIN WIENS: Yeah, as I pointed out
16 in my answer previous, or two (2) answers back, what we
17 captured in 2010 was -- was an error, and 2011 we've gone
18 back and corrected it, and -- and it has marginally
19 changed.

20 Now, there could be other factors at play
21 here as well that we haven't fully analyzed, the impact
22 of changes in -- in the methodology, for example, in
23 2008. We went to the letter of -- of the directive
24 regarding the treatment of demand-side management, which
25 is that we -- whe -- when we -- when we redid the 2008 we

1 -- we treated DSM differently.

2 And then when we came back to 2010 we
3 decided that was very cumbersome and -- and we didn't
4 think it was very helpful, so we went back to the old way
5 of simply assigning the DSM costs to the different
6 classes. Now, street lighting -- street lighting --
7 street lighting DSM activity is -- much of it is -- took
8 place back in the 1990s, so there's a greater
9 amortization of that than there was of other classes. So
10 that could have had an impact on the fact that it is
11 stubbornly staying higher in spite of being exempted from
12 rate increases.

13 MR. BOB PETERS: Mr. Wiens, with the
14 general service large greater than 100 kV subclass,
15 according to my notes, which I'd ask you take subject to
16 check, and I -- I didn't put them in the book of
17 documents, and I -- I have in -- in 2008 cost of service
18 study the zo -- the RCC for the GS large greater than one
19 hundred (100) was one-o-eight point seven (108.7). It
20 moved up to one-o-nine point two (109.2) in the -- in the
21 PCOSS for '10. And then for the 2011 per -- prospective
22 cost of service study it went up to a hundred and twelve
23 point six (112.6).

24 Will you accept those, subject to check?

25 MR. ROBIN WIENS: Yes.

1 MR. BOB PETERS: And if -- if indeed that
2 is the progression, that subclass is progressively
3 becoming distant from unity and the zone of
4 reasonableness, correct?

5 MR. ROBIN WIENS: Well, it's been moving
6 around, Mr. Peters. I -- I...

7 MR. BOB PETERS: But only in one (1)
8 direction?

9 MR. ROBIN WIENS: Well, you -- you -- you
10 gave me a 2008 number of --

11 MR. BOB PETERS: I -- I had said one-o-
12 eight point seven (108.7).

13 MR. ROBIN WIENS: One-o-eight point seven
14 (108.7).

15 MR. BOB PETERS: And then in '10 I had it
16 at one-o-nine point two (109.2). And then in '11 it was
17 one twelve point six (112.6).

18 MR. ROBIN WIENS: Right, and you -- the
19 study from which the 2008 number came from was that which
20 Manitoba Hydro filed in its application in August the 1st
21 of 2007.

22 MR. BOB PETERS: I believe that to be
23 correct --

24 MR. ROBIN WIENS: That's --

25 MR. BOB PETERS: -- yeah.

1 MR. ROBIN WIENS: When we subsequently
2 filed for compliance with one sixteen-o-eight (116.08)
3 that number was one hundred and twelve (112). And then
4 when we filed PCOSS '10, as you stated, it's one hundred
5 and nine point two (109.2). In 2011 it's one hundred and
6 twelve point six (112.6). So tha -- that's where I'm
7 coming from where it's -- it's been moving about. It --
8 I wouldn't characterize that as having a progressive
9 impact.

10 The general service large over 100 kV
11 classes had the same rate increases as the other classes
12 during that period. And depending on which study you're
13 referencing, it's -- it's stayed pretty close to a
14 similar -- to a similar revenue cost coverage.

15 Now, the difference between 2010 and 2011
16 I'm a little more hard pressed to -- to explain. But I
17 suspect what we have here is that in 2011 there was less
18 net export revenue to allocate among the classes,
19 consequently a higher share of -- of the what -- export
20 that revenue that was was offsetting the export class.

21 And in effect it pushes -- for the
22 domestic classes it -- it does very much the same thing
23 as the very old method that we had of allocating export
24 revenue. It -- it disproportionately benefits the
25 classes that are served at the transmission voltage or

1 closer to the transmission voltage. I suspect that may
2 have been what's happened but I would have to go back and
3 cross-check that, Mr. Peters.

4 MR. BOB PETERS: No, I'm not asking you
5 to do that, Mr. Wiens. And I appreciate that there's no
6 formal request before this Board, but help the Board
7 understand for the GS large zero to 30 kV, without
8 identifying specific customers can you give some examples
9 of the type of customers included in that ca -- category?

10 MR. ROBIN WIENS: GS large less than 30?
11 Typically our customers in there would be in the range of
12 -- they may be at the lower end quite similar to our
13 medium customers except they are served through customer-
14 owned transformation rather than Utility-owned
15 transformation. And they may be somewhat larger at the
16 upper end in the order of ...

17

18 (BRIEF PAUSE)

19

20 MR. ROBIN WIENS: Yeah, Mr. Peters,
21 they'll -- in terms of the size of the loads they can
22 range from four 4 or 500 kVA up to as much as eight (8) -
23 - 8,000 kVA or so. There's a -- it's -- it's a -- it's
24 quite a varied group. You'll have small manufacturing in
25 there, particularly located in the urban areas. You'll

1 have personal care homes, hospitals, schools, large
2 apartment buildings. So they're industrial and
3 commercial, both.

4 MR. BOB PETERS: Historically, the GS
5 large zero to 30 kV has been the lowest revenue to cost
6 ratio subclass that Manitoba Hydro has?

7 MR. ROBIN WIENS: Yes.

8 MR. BOB PETERS: Is that a conscious
9 effort by the Utility to keep that revenue to cost ratio
10 below the zone of reasonableness?

11 MR. ROBIN WIENS: No, they have
12 participated in pretty much the same rate increases as
13 any other GS large. And I know in some years they've
14 actually been higher. But there's some load
15 characteristics of this class that tend to produce that
16 result. And I believe we did address those in a response
17 to an information request. And if I can find that I'll
18 bring it out.

19 MR. BOB PETERS: That's fine, but that --
20 that's not the point of my question. It's -- it's from a
21 perspective of Manitoba Hydro it's not a policy decision
22 that because many of these are institutions such as
23 hospitals, personal care homes, or educational
24 institutions that there's a desire to have this class --
25 this subclass at 90 percent recovery of its costs?

1 MR. ROBIN WIENS: No, there is no
2 conscious policy of that type.

3 MR. BOB PETERS: Mr. Warden, just a
4 couple of quick questions for you, sir. You're familiar
5 that Manitoba Hydro's diesel customer class has undergone
6 a rate application of recent times?

7 MR. VINCE WARDEN: Yes, I am.

8 MR. BOB PETERS: And through those
9 processes, sir, the Board has learned that the pre-2004
10 costs, some of those costs, probably to the extent of \$24
11 million, have been charged through to grid customers.
12 You accept that subject to check?

13 MR. VINCE WARDEN: Yes, yes, that's --
14 that's correct.

15 MR. BOB PETERS: And then post-2004
16 Manitoba Hydro was also having its grid connected
17 customers subsidize the diesel community to the effect of
18 approximately \$27 million?

19

20 (BRIEF PAUSE)

21

22 MR. VINCE WARDEN: Yes, that would be
23 about right. Yes.

24 MR. BOB PETERS: And -- and I didn't put
25 it in the book of documents, sir, but Order number 1 of

1 2010 contains the -- the source of my numbers on that,
2 but added together there's \$42 million that are being
3 charged to the grid by way of reduced net income in the
4 year in which those costs were expended. Would that be
5 fair?

6 MR. VINCE WARDEN: Well, I'm not sure
7 it's quite fair to characterize it that way, Mr. Peters,
8 in as much as the pre-2004 by agreement was that there
9 would be a -- a portion of export revenues used to
10 amortize that balance over a period of ten (10) years.

11 So it wasn't -- that part wasn't being
12 regarded as a direct subsidy from grid customers,
13 although I -- I -- I suppose you could look at it as
14 those export revenues not being available to grid cust --
15 customers, so indirectly it could be regarded as a
16 subsidy, but it wasn't being characterized in that
17 manner.

18 MR. BOB PETERS: All right. I think you
19 have my point though. In essence, the retained earnings
20 of the Corporation was reduced by the amounts that were
21 not charged through to the diesel community customers?

22 MR. VINCE WARDEN: Well, costs incu --
23 were incurred that were not recovered from the die --
24 directly from the diesel customers, yes.

25 MR. BOB PETERS: In going forward, Mr.

1 Warden, are the costs for the service upgrades that the
2 Board has considered are required for those communities,
3 are those going to be directly funded through reductions
4 in retained earnings?

5 MR. VINCE WARDEN: The upgrades with
6 respect to the diesel communities, to the extent that
7 they're capital, they would be funded through agreement
8 with the First Nation communities and INAC.

9 MR. BOB PETERS: And that service upgrade
10 is whether it's by enhanced diesel, or whether it's by
11 landline or some other source of electricity?

12 MR. VINCE WARDEN: Well, there's been no
13 determination as to how those upgrades -- if -- if in
14 fact the upgrades will take place. Certainly upgrades
15 will take place as necessary to provide an ongoing level
16 of service, but as for enhanced service, there's been no
17 determination made yet as to how that will be provided.

18 MR. BOB PETERS: Is one (1) of the
19 considerations using net export revenues to fund that?

20 MR. VINCE WARDEN: No.

21 MR. BOB PETERS: Why is that?

22 MR. VINCE WARDEN: Well, partly for the
23 reason I just gave, and that is there -- the export
24 revenues are finite and to the extent they're used for
25 that purpose, for funding such things as landlines to

1 diesel communities, they wouldn't be available for other
2 purposes. And in -- in that case would very much be a
3 direct subsidy from grid customers.

4 MR. BOB PETERS: Thank you. Mr. Wiens,
5 I'd like to turn back to you and to Tab 46 of the book of
6 documents. Mr. Chairman and Mr. Vice Chair, it's page
7 121 of the third volume of book of documents -- I'm
8 sorry, the second volume of book of documents, PUB
9 Exhibit 16 that I'd like to refer to with Mr. Wiens.

10 And on this page, Mr. Wiens, on page 121,
11 in the top right-hand corner, there is a -- a chart which
12 attempts to compare some of the cost of service studies
13 that Manitoba Hydro has prepared and filed with this
14 Board, including from '08 through 2010 and also 2011.

15 Have you found that chart?

16 MR. ROBIN WIENS: Yes, I have.

17 MR. BOB PETERS: Did you have an
18 opportunity to look at that chart prior to your
19 testimony, sir, to determine if -- if any of the
20 information in there appears blatantly incorrect, or
21 whether you are prepared to accept it subject to check?

22 MR. ROBIN WIENS: Well, Mr. Peters, there
23 appears to be some that we think are incorrect. They're
24 not huge, so maybe if we could just proceed and if -- if
25 one (1) of them causes us an issue then we can talk about

1 it then.

2 MR. BOB PETERS: Okay. I appreciate
3 that, Mr. Wiens. Mr. Wiens, is the column that's
4 labelled, "August 2003 PCOSS '08," is that the result of
5 the PUB's order relative to cost of service methodology
6 117 of '06?

7 MR. ROBIN WIENS: Mr. Peters, there is no
8 column labelled August 2003. Do you mean August 2007?

9 MR. BOB PETERS: I do, sir. Sorry.

10 MR. ROBIN WIENS: No, that would be --
11 that would be the -- the cost of service study that we
12 filed along with our application, or shortly thereafter.
13 If you recall, we filed that application in August of
14 2007, which is why it would have that date, and it was
15 the study that we filed along with the application.

16 So, yes, we would have made some changes
17 to be consistent with 117/'06, as best as we could
18 interpret it at the time.

19 MR. BOB PETERS: Is the March 2009 PCOSS
20 '08 again Manitoba Hydro's attempt to file in compliance
21 with the Public Utilities Board Order of 117 of '06?

22 MR. ROBIN WIENS: Let me go back. August
23 2007 would have been -- would have represented Manitoba
24 Hydro's best effort at the time to be compliant with
25 117/'06. When we get to March 2009, at that point we had

1 the benefit of Order 116/'08, which further clarified
2 matters.

3 So there would have been some further
4 adjustments that had been made between August 2007 and
5 March of 2009, although the underlying information was
6 the 2008 cost of service study, in both cases.

7 MR. BOB PETERS: Thank you for that, and
8 I -- I do take -- the Board should understand from your --
9 -- your last answer, Mr. Wiens, that the August 2007 PCOSS
10 '08 is Manitoba Hydro's attempt to be compliant with
11 Board Order 117 of '06 from a methodology point of view?

12 MR. ROBIN WIENS: That's correct.

13 MR. BOB PETERS: Thank you, sir. I -- I
14 recognize that today may not be the day that we get too
15 deep into this, Mr. Wiens, but with your assistance
16 there's a few items on that page I'd like you to explain
17 to the Board.

18 Firstly, what this page is talking about
19 is bulk power costs, and the export allocation of
20 generation costs, correct?

21

22 (BRIEF PAUSE)

23

24 MR. ROBIN WIENS: Yes, Mr. Peters.

25 MR. BOB PETERS: And when we turn to the

1 hydraulic generation column, notes in the second from the
2 left column, this includes HVDC lines?

3 MR. ROBIN WIENS: Yes.

4 MR. BOB PETERS: It would include all of
5 them, Mr. Wiens?

6 MR. ROBIN WIENS: Yes.

7 MR. BOB PETERS: It would also include
8 northern conversion?

9 MR. ROBIN WIENS: Yes.

10 MR. BOB PETERS: It would include
11 northern AC connections?

12 MR. ROBIN WIENS: Yes.

13 MR. BOB PETERS: Also water rentals?

14 MR. ROBIN WIENS: Yes.

15 MR. BOB PETERS: When the Board looks at
16 the increase from the 2008 to the -- through the 2010
17 year, even on a percentage basis, can you indicate the
18 reasons that you understand that allocation will have
19 increased as it has?

20 MR. ROBIN WIENS: Okay. So you want me
21 to go from the first column to the fourth column, which
22 is actually 2010 -- 2011 cost of service study, which was
23 filed in May of 2010. And you want to know why it would
24 have gone from, say in the case of hydraulic generation,
25 from 116 million to 133 million?

1 Is -- is that what you're asking?

2 MR. BOB PETERS: It went from 116 million
3 to 170 million in PCOSS 11.

4 MR. ROBIN WIENS: There's one (1) of
5 those errors that we were talking about. I have -- we
6 have -- we have determined that to be 133 million, and I
7 may have to get some help from the back row to tell you
8 why.

9 MR. BOB PETERS: Maybe that can be an
10 undertaking, Mr. Wiens, but that -- that may very
11 directly answer the questions that I had, maybe, that
12 there's a mathematical calculation. So would you be
13 prepared to undertake to explain to the Board why the
14 hydraulic generation allocation from PCOSS '08 to PCOSS
15 '11 appeared, at least initially, on the face of it, to
16 be divergent, but subject to your revision, may be closer
17 to being the same?

18 MR. ROBIN WIENS: Yes, we'll undertake to
19 do that, Mr. Peters.

20

21 --- UNDERTAKING NO. 99: Manitoba Hydro to indicate
22 why the hydraulic generation
23 allocation from PCOSS '08 to
24 PCOSS '11 appeared initially
25 to be divergent, but, subject

1 revision, may be closer to
2 being the same
3

4 CONTINUED BY MR. BOB PETERS:

5 MR. BOB PETERS: On -- on -- I -- I
6 appreciate that you might be able to do that in short
7 order, but I'd like to keep moving, if I could, Mr.
8 Wiens. The -- if we go down to "thermal generation" in
9 the -- the next box, second column from the left, this
10 really is -- includes coal from Brandon?

11 MR. ROBIN WIENS: Yes.

12 MR. BOB PETERS: And is it the fixed
13 costs or just the operating costs that are included in --
14 in this allocation?

15 MR. ROBIN WIENS: I believe we would have
16 treated all of the operating costs similar to fixed
17 costs. I know there -- there are some variable O&M
18 costs, but for this purpose we -- we treated them all as
19 fixed costs.

20 MR. BOB PETERS: And yet when we get over
21 to PCOSS '11 column on the far right there's zero
22 allocation of those costs in terms of export allocation,
23 Mr. Wiens?

24 MR. ROBIN WIENS: That's correct.

25 MR. BOB PETERS: And can you explain to

1 the Board why that is?

2 MR. ROBIN WIENS: Well, certainly for
3 PCOSS '11, and I believe for most of the period covered
4 by PCOSS '10, Manitoba Hydro is not able to use coal
5 generation to serve exports. So if -- if coal generation
6 cannot be used to support exports, then it would seem
7 that there's little point in allocating either fixed or
8 operating or fuel costs of coal to exports.

9 In the case of the natural gas plants,
10 that issue may be a little bit more complicated. But the
11 typical situation is that Manitoba Hydro would not turn
12 on its natural gas plant to support an export sale. Now,
13 I believe the MIPUG pointed out that the -- in their
14 direct evidence that there was nothing to stop Manitoba
15 Hydro from doing that, and -- and that is true, but it
16 would be very unlikely.

17 I think another factor that comes into
18 play as well, when we do a cost of service study we are
19 looking at a prospective year. The loads are weather
20 normalized, and we treat it as a median flow type of
21 situation that exists in the cost of service study.

22 Now, we know that the reality going
23 forward is -- is different, that we could have very low
24 water or very high water years, but the cost of service
25 study sits on a median flow year typically. So in a

1 median flow year it would be very, very, very unusual to
2 turn on a natural gas plant to serve an export sale.

3 So one (1) of the other conventions that
4 we've adopted with respect to allocating costs to exports
5 is all of the import costs are treated as serving the
6 export market, and that might not be entirely correct,
7 but it's a reasonable approximation in a median flow year
8 that we -- that import -- power would be imported
9 overnight to assist in supporting export sales during the
10 following day.

11 So if we're going to treat imports as if
12 we were in a median year, it didn't seem unreasonable
13 that we would treat natural gas generation the same. I -
14 - I will agree that there's some scope for arguing this
15 in the case of -- in the case of natural gas, but it's
16 probably not material, in any case, and it's consistent
17 with the median flow scenario under which the cost of
18 service study's undertaken.

19 MR. BOB PETERS: Manitoba Hydro uses the
20 coal plant capacity in defining its dependable energy,
21 does it not?

22 MR. ROBIN WIENS: Yes, it does.

23 MR. BOB PETERS: And they use that
24 definition of dependable energy to establish the surplus
25 that's available for firm exports?

1 MR. ROBIN WIENS: As I understand it.

2 MR. BOB PETERS: And so does that mean in
3 a drought situation that isn't the worst -- within the
4 worst on historical record, Manitoba Hydro would use
5 Brandon coal for both domestic and export?

6 MR. ROBIN WIENS: As I understand it,
7 it's intended for domestic emergency.

8 MR. BOB PETERS: Domestic only?

9 MR. ROBERT MAYER: But we -- we've
10 decided that drought isn't an emergency, right?

11 MR. ROBIN WIENS: I'm not sure who we is
12 in the context.

13 MR. ROBERT MAYER: I was told -- well,
14 Manitoba Hydro's taken the position drought is not an
15 emergency, drought is something that is expected. We've
16 heard that time and again.

17 MR. ROBIN WIENS: In -- in that sense,
18 yes, it is expected, but it becomes more challenging to
19 serve customers under those conditions.

20 MR. ROBERT MAYER: What I really intended
21 to ask, however, is with that little problem we had with
22 the bipole line, did you have to fire up Brandon --
23 Brandon 5? That sounds to me like it would be really an
24 emergency.

25

1 (BRIEF PAUSE)

2

3 MR. ROBIN WIENS: I'm informed that if it
4 had been available we would have. It's operating in
5 condenser mode right now.

6

7 (BRIEF PAUSE)

8

9 CONTINUED BY MR. BOB PETERS:

10 MR. BOB PETERS: Mr. Wiens, what you're
11 telling the Board is Brandon coal is available for
12 domestic load as opposed to export load?

13 MR. ROBIN WIENS: I'm advised that it can
14 be used to support existing export sales but it cannot be
15 used to support any new export sales.

16 MR. BOB PETERS: All right. So when the
17 NSP arrangement expires it cannot be used for the new NSP
18 agreement or any subsequent agreements with Minnesota
19 Power or Wisconsin Public Service?

20 MR. ROBIN WIENS: That's my
21 understanding.

22 MR. BOB PETERS: And in that situation
23 going forward then, Mr. Wiens, if Brandon is used for
24 domestic load only then, in essence, Manitoba Hydro would
25 be using coal for Manitobans and exports would get the

1 hydraulic energy.

2 MR. ROBIN WIENS: You know, it would
3 depend on the circumstances that existed at the time.

4 MR. BOB PETERS: Well, if -- if -- if
5 Brandon was needed, whatever the circumstance was, and it
6 can't be used for the new exports, let's say after 2015,
7 then it's only available for Manitoba for domestic load.

8 MR. ROBIN WIENS: Once the existing
9 export contracts expire that would be true.

10 MR. BOB PETERS: And then it is true that
11 Manitoba Hydro would use the coal for Manitobans and the
12 exports would get the hydraulic energy?

13 MR. VINCE WARDEN: To be clear, Mr.
14 Peters, in emergency situations only.

15 MR. BOB PETERS: Yes, that's -- that was
16 my premise of my question.

17 MR. VINCE WARDEN: Okay. I just wanted
18 to make sure that was clear.

19 MR. BOB PETERS: Yeah, and that's the
20 only premise under which you can operate Brandon coal is
21 under the defined emergency conditions going forward,
22 correct?

23 MR. VINCE WARDEN: Correct. And so, Mr.
24 Warden, you're also agreeing then that under these
25 situations where Brandon coal is able to be used by

1 Manitoba Hydro Manitobans get the coal and the export
2 counterparties get the clean hydraulic energy?

3 MR. ROBERT MAYER: Or none at all.

4 MR. VINCE WARDEN: I think there are
5 exceptions for -- I'm going to have to check with Mr.
6 Cormie on this, but I think for a drought the worst --
7 worse than the worst on record then -- then that would --
8 I think that exception would kick in.

9 MR. BOB PETERS: And that was the
10 exception the Vice-Chair was making was that if it's
11 beyond the historical record then there may be some
12 relief available, but if it's within the bounds of the
13 historical record Manitobans would line up for the coal
14 and the exports would be expected to be served from the
15 hydraulic?

16 MR. VINCE WARDEN: Yes, I believe that's
17 the case.

18 MR. ROBERT MAYER: Mr. Warden, if it's
19 true emergency and it's worse than the worst on record,
20 we wouldn't be exporting any energy.

21 MR. VINCE WARDEN: Well, there is
22 provision in those contracts as was discussed earlier to
23 curtail, yes, but whether that would actually be done or
24 not would depend. It would depend on the circumstances.

25 MR. ROBIN WIENS: Manitoba Hydro also has

1 the option to serve those export customers with purchased
2 energy.

3 MR. ROBERT MAYER: I -- I would tend to
4 think, however, when we're in an emergency such that you
5 are entitled to fire up Brandon coal generation that
6 there's probably not much left, which is why I posed the
7 question respecting the bipole lines, because that, in my
8 opinion, would be a true emergency to you southerners.
9 And -- but if -- if we can't generate enough hydraulic
10 power because of a drought worse than a drought, I'm
11 wondering how much you could actually consider exporting
12 because we have been told that those contracts do allow
13 us some provision not to do -- not to have to deal with
14 them.

15 And although you have indicated very
16 clearly that you could -- you could buy them out, or you
17 could buy power to serve them, having regard to our past
18 experience about what happened to buy power in the -- in
19 '03/'04, I'm wondering whether that would be worthwhile?

20 MR. VINCE WARDEN: Yes, Mr. Mayer, I
21 think we did say it would depend on the circumstances.
22 '03/'04 was a period of very high gas prices as well, and
23 high prices on the -- on the -- in the MISO market. So
24 circumstances were quite different. The contracts -- the
25 new contracts are structured quite different than the

1 existing contracts, so we -- we'd be much better
2 positioned if that -- if the '03/'04 conditions were to -
3 - to prevail today or in the future.

4

5 CONTINUED BY MR. BOB PETERS:

6 MR. BOB PETERS: Mr. Warden, Mr. Wiens,
7 we'll flip from one (1) source of thermal, that being
8 coal over to natural gas as mentioned by Mr. Wiens in an
9 answer that he's already provided. There's no fixed or
10 variable cost allocation into the export class for
11 natural gas. Is that correct?

12 MR. ROBIN WIENS: That's correct.

13 MR. BOB PETERS: When the Board looks at
14 the assumptions that go into IFF-09, for example, and
15 they have been conveniently repeated at page 128, at Tab
16 27 of the book of documents, there is a line item about
17 thermal generation. It would be in Tab 47, Mr. Wiens --
18 Tab 47 I meant to say. I'm sorry if I misspoke.

19 MR. ROBIN WIENS: Page number, sir?

20 MR. BOB PETERS: 128. Mr. Warden may
21 have to help us here, but my -- my point, Mr. Wiens, is
22 that this IFF was prepared under, would I call it mean
23 water conditions, once we get out past the first couple
24 of years?

25 MR. VINCE WARDEN: It would be average

1 water conditions -- or sorry, average revenues derived
2 from mean flow -- let me just -- I -- I always get a
3 little bit confused on that myself, so I'll confirm that
4 one (1).

5 MR. BOB PETERS: Yeah.

6

7 (BRIEF PAUSE)

8

9 MR. VINCE WARDEN: So it's all flow
10 conditions. Revenue is based on average of all flow
11 conditions after year two (2).

12 MR. BOB PETERS: And yet when we look at
13 those assumptions, Mr. Warden, there's an amount included
14 for thermal generation, not only in terms of revenues,
15 but in terms of costs, that -- that there is some
16 expectation that there will be some thermal production in
17 those years?

18

19 (BRIEF PAUSE)

20

21 MR. VINCE WARDEN: So, Mr. Peters, would
22 you restate your question, please?

23 MR. BOB PETERS: Well, I was following up
24 on Mr. Wiens' discussion with the Board when he talked
25 about coal and then he went into natural gas. We do see

1 that natural gas costs and revenues are being added into
2 the IFF assumptions going forward.

3 You'll acknowledge that as being correct?

4 MR. VINCE WARDEN: Yes.

5 MR. BOB PETERS: And while we're trying
6 to figure out how to allocate that, and Mr. Wiens is
7 saying he's allocated zero of that to the export class
8 because in mean and median flow conditions he didn't
9 think that Manitoba Hydro would need to use the thermal.
10 Here are mean flow conditions where Manitoba Hydro is
11 embedding the cost of thermal into its IFF assumptions.

12 Have I incorpor -- interpreted that
13 correctly?

14 MR. VINCE WARDEN: Yes, Mr. Peters, and
15 the -- and the simple answer to that would be the average
16 does assume the low flows. Low flows are part of that
17 average, so the -- the low flows have been averaged into
18 that supply requirement for each of those years.

19 MR. BOB PETERS: And Mr. Wiens' point is
20 that even though natural gas is included, none of that
21 cost of natural gas get put through to the export class.

22 MR. ROBIN WIENS: That's what we proposed
23 in the '10 and '11 cost of service study --

24 MR. BOB PETERS: I -- and that -- and my
25 point then becomes, if that's the case, Mr. Wiens, why

1 does Manitoba Hydro incorporate thermal costs and
2 revenues in their IFF assumptions when it says it doesn't
3 need those for export purposes.

4 MR. ROBIN WIENS: Well, what -- what you
5 have in, I believe, 2011/'12 and beyond is a situation
6 where you've -- you've got the -- the financial
7 consequences of a range of -- of flows from the lowest to
8 the highest, and that's the result of the average.

9 In 2010/'11, which is based on median
10 flows, you'll see a smaller number for thermal
11 generation, and I understand that to be the -- that that
12 would represent the cost of -- of minimal operations:
13 testing, training, and so forth.

14 MR. BOB PETERS: But when we look at the
15 costs that have been attributed to those, Mr. Wiens,
16 doesn't it strike Manitoba Hydro that in 2010 and 2011
17 the -- the costs of thermal generation found on the
18 bottom third of the page is reflecting coal generation up
19 until 2011, and thereafter it assumes gas costs and gas
20 pricing?

21 MR. ROBIN WIENS: No, I think it assumes
22 some coal generation up until January the 1st, 2010.

23 MR. BOB PETERS: And thereafter gas
24 pricing.

25 MR. ROBIN WIENS: And thereafter, I think

1 it would be more related to natural gas.

2 MR. BOB PETERS: And in any event, just
3 like with coal, Mr. Wiens, Manitoba Hydro uses gas --
4 natural gas in the definition of dependable energy?

5 MR. ROBIN WIENS: Yes.

6 MR. BOB PETERS: And it uses the natural
7 gas capacity to establish the surplus for firm export
8 contracts?

9 MR. ROBIN WIENS: It uses the natural gas
10 capacity to establish the overall surplus for the system.

11 MR. BOB PETERS: And of that overall
12 surplus, it's on a dependable basis?

13 MR. ROBIN WIENS: Yes.

14 MR. BOB PETERS: And it's the dependable
15 energy that is exported on a firm basis?

16 MR. ROBIN WIENS: Dependable energy is
17 exported on a firm basis, yes.

18 MR. BOB PETERS: And put another way, Mr.
19 Wiens, Mr. Warden, without natural gas generation, firm
20 exports would be lower than what they are shown in the
21 system load forecast.

22 MR. VINCE WARDEN: Correct.

23 MR. ROBERT MAYER: When are you scheduled
24 to retire -- fully retire Brandon coal? I thought there
25 was an end date to this. For some reason or other, I

1 thought it was seventeen (17), but I...

2

3

(BRIEF PAUSE)

4

5

MR. VINCE WARDEN: I think what we're
6 using for depreciation purpose, Mr. Mayer, is 2017/2018
7 for retirement date -- for a terminal date. It -- it
8 could be extended beyond that though.

9

10

(BRIEF PAUSE)

11

12 CONTINUED BY MR. BOB PETERS:

13

MR. BOB PETERS: Is it correct that
14 neither domestic nor export is actually using the natural
15 gas plant for generation?

16

17

(BRIEF PAUSE)

18

19

MR. ROBIN WIENS: Mr. Peters, I'm -- I'm
20 not quite sure the meaning of your question.

21

MR. BOB PETERS: All right, let me try it
22 this way, Mr. Wiens. In the last few years, we've had
23 average to above average water conditions. You'd accept
24 that?

25

MR. ROBIN WIENS: Yes.

1 MR. BOB PETERS: And in those years with
2 average to above average water conditions, we do not need
3 the natural gas plants to generate electricity?

4 MR. ROBIN WIENS: Typically, that's true.
5 We did have an exception a little bit earlier this year
6 with the situation where the bipole was threatened, that
7 system emergency, and -- and the gas plant was turned on.

8 MR. BOB PETERS: All right. Let's leave
9 --

10 MR. ROBIN WIENS: Other -- other than
11 that, no.

12 MR. BOB PETERS: All right. So other
13 than that emergency, the natural gas plant was not
14 needed. And so if the natural gas plant is not needed,
15 why then are a hundred percent of the cost for the gas
16 plant being assigned to the domestic customer only?

17 MR. ROBIN WIENS: Because ultimately it's
18 there for reliability to the domestic customer.

19 MR. BOB PETERS: But it's also there for
20 reliability to support export sales on a firm basis as
21 well, is it not?

22 MR. ROBIN WIENS: Under extreme
23 conditions, which we haven't reflected or assumed in this
24 cost of service study.

25 MR. BOB PETERS: The purchase power that

1 is discussed, I guess at book of documents Tab 46, we're
2 back to page 121, the purchase power, Mr. Wiens, you've
3 indicated that Manitoba Hydro's practice is to assign a
4 hundred percent of the purchase power through to exports?

5 MR. ROBIN WIENS: Yes.

6 MR. BOB PETERS: And that's under the
7 notion that under the median flows the only reason you
8 would -- the only reason Manitoba Hydro would need to
9 purchase power is to perhaps arbitrage on the price?

10 MR. ROBIN WIENS: I -- I wouldn't say
11 that a hundred percent all the time under median flows is
12 for that purpose, but for -- for the -- for the purpose
13 of doing the cost of service study, it's a reasonable
14 assumption. Under median flows we would not typically
15 import for domestic customers.

16 MR. BOB PETERS: These imports are
17 imports at market prices generally, not at a firm
18 contract basis?

19 MR. ROBIN WIENS: That's what I
20 understand.

21 MR. BOB PETERS: And the only exception
22 would be any wind purchases?

23 MR. ROBIN WIENS: Which would be included
24 in here.

25 MR. BOB PETERS: Yes.

1 MR. ROBIN WIENS: Which would be included
2 in here.

3 MR. BOB PETERS: And that's the only firm
4 contracts that you're aware of that Manitoba has for
5 importing or for purchasing power?

6 MR. ROBIN WIENS: That I'm aware of, yes.

7 MR. BOB PETERS: All right. In the power
8 resource plan these imports are considered a firm
9 resource, are they not?

10

11 (BRIEF PAUSE)

12

13 MR. ROBIN WIENS: To the extent that
14 they're actually in the power resource plan, yes, we rely
15 -- we can rely on those.

16 MR. BOB PETERS: And the -- we -- we know
17 that they're not from a firm import of energy from an
18 American counterparty, but they may include a wind
19 contract. Have I got that right?

20 MR. ROBIN WIENS: Yes.

21 MR. BOB PETERS: And so even though those
22 are by definition not -- not firm, they are -- those
23 resources are considered firm in terms of the power
24 resource plan in defining dependable energy?

25 MR. ROBIN WIENS: Well, for energy, yes,

1 they're considered firm.

2 MR. BOB PETERS: While we're on purchase
3 power, I just wondered, the Chairman had raised Manitoba
4 Hydro's purchase of power from the Wuskwatim Power
5 limited partnership. Is that included into -- under the
6 heading of, "purchase power," Mr. Wiens, when you do your
7 cost of service?

8

9 (BRIEF PAUSE)

10

11 MR. ROBIN WIENS: Well, the question's
12 moot for 2010/2011, Mr. Peters, because there's no power
13 coming from Wuskwatim.

14 MR. BOB PETERS: Fair enough. But the --
15 is the intention to -- in -- in 2012 to include the
16 purchased power from Wuskwatim in this category in the
17 cost of service?

18 MR. ROBIN WIENS: We would probably treat
19 it similar to other hydraulic generation.

20 THE CHAIRPERSON: Just a note. When you
21 look at your financial forecast in the IFFs you show
22 minority interest, so that clearly infers that the
23 Wuskwatim is incorporated with the rest of the
24 generation.

25 MR. ROBIN WIENS: Sorry, Mr. Chairman?

1 THE CHAIRPERSON: In the revenue
2 forecasts that go out in the latest IFF you show a
3 minority interest line. That infers that the new
4 generation station and the power produced from it is
5 incorporated within the overall hydro mix.

6 MR. ROBIN WIENS: Yes. Correct.

7 MR. VINCE WARDEN: Yes. Yes, it is. It
8 is, you're right.

9

10 CONTINUED BY MR. BOB PETERS:

11 MR. BOB PETERS: And on that point, Mr.
12 Warden, I think you had informed the Board that the
13 energy from Wuskwatim under the Wuskwatim Power limited
14 partnership agreement, would be priced based on what the
15 new contracts return?

16 MR. VINCE WARDEN: Yes.

17 MR. BOB PETERS: And it would be based on
18 the average of firm and opportunity that is returned?

19 MR. VINCE WARDEN: That's right.

20 MR. BOB PETERS: And even though
21 Wuskwatim is not being used for any firm contracts at
22 this point in time?

23 MR. VINCE WARDEN: At which time are you
24 referring to, Mr. Peters?

25 MR. BOB PETERS: Well, in the initial

1 years in which it comes in service I'd understood that
2 Mr. Cormie had not yet secured any firm contract related
3 to the Wuskwatim output.

4 MR. VINCE WARDEN: yes, but the formula
5 that's being used for the -- for pricing power for
6 Wuskwatim is based on the average of all firm and export
7 sales contracts. That's -- that's simply by agreement.

8 MR. BOB PETERS: And so help me
9 understand that -- and the Board understand that, Mr.
10 Warden. If, for example, 2010 was the year in which you
11 were measuring it, and I know it wasn't ready in 2010,
12 but the average energy price for exports in 2010 was
13 three point three (3.3) cents a kilowatt hour?

14 MR. VINCE WARDEN: Yes, that's right.
15 The -- the -- by -- again, by agreement, though, the
16 existing NSP contract would be excluded from that -- from
17 that calculation.

18 MR. BOB PETERS: All right. But if we're
19 just using a hypothetical year, the -- if you exclude the
20 NSP existing agreement that three point three (3.3) cents
21 even drops down to closer to two point three (2.3) cents
22 I would suspect?

23 MR. VINCE WARDEN: It would drop down to
24 a lower number, yes.

25 MR. BOB PETERS: And so it would be -- it

1 would be based on that lower number that Manitoba Hydro
2 would purchase the energy from the Wuskwatim Power
3 limited partnership agreement?

4 MR. VINCE WARDEN: That would be the
5 number that would be used for determining the revenue
6 that wo -- would be attributed to the partnership,
7 exactly, yes.

8 MR. BOB PETERS: And there would be a
9 cost that may be -- that would be higher on a per
10 kilowatt hour basis that Manitoba Hydro would incur than
11 it would recover from the Wuskwatim Power limited
12 partnership. Wouldn't that also be correct?

13 MR. VINCE WARDEN: Well, the partnership
14 would -- would share all costs incurred to produce --
15 produce power from -- from Wuskwatim proportionate to the
16 equity ownership share.

17 MR. BOB PETERS: And that's why Manitoba
18 Hydro envisions there being a loss in operations at least
19 in the initial years under the Wuskwatim Power limited
20 partnership agreement?

21 MR. VINCE WARDEN: Yes, there -- there is
22 a projected loss in the initial three (3) years I believe
23 it is.

24 MR. BOB PETERS: And the amount of the
25 loss will be best calculated once Manitoba Hydro knows

1 what the energy output has been and more so what the
2 average export price has been for the energy?

3 MR. VINCE WARDEN: That's right.

4 MR. BOB PETERS: And that won't be known
5 then until fiscal 2013?

6 MR. VINCE WARDEN: Well, the first unit -
7 - after the first unit goes in to service then -- then
8 there will be a calculation to -- as to the proper loss
9 immediately thereafter.

10 MR. BOB PETERS: When you say that the
11 Wuskwatim Power limited partnership is responsible for
12 all the costs, I take it that includes all the costs that
13 you and I have talked about that gave rise to the ten
14 (10) cents a kilowatt hour that would be the in-service
15 costs of Wuskwatim?

16 MR. VINCE WARDEN: Yes.

17 MR. BOB PETERS: And just doing the math
18 as I have the microphone on, Mr. Warden, which is usually
19 dangerous, if the -- if the cost is ten (10) cents a
20 kilowatt hour, and for the purposes of my example with
21 you, the return is two point three (2.3) cents a kilowatt
22 hour, there would be a seven point seven (7.7) cent
23 subsidy needed for the energy coming out of Wuskwatim?

24 MR. VINCE WARDEN: Well, Mr. Peters, I
25 think we have an undertaking. This is a follow-up to the

1 Chairman's question of yesterday in which the calculation
2 of the proportionate share for the partnership, how it
3 was -- how it was derived. And part of that undertaking
4 is to produce a updated financial projection for
5 Wuskwatim. So it would be best to --

6 MR. BOB PETERS: I'm getting ahead of
7 myself, you're politely telling me?

8 MR. VINCE WARDEN: Well, it might be
9 better to discuss that when we have the -- the document
10 in front of us.

11 MR. BOB PETERS: All right. Let's --
12 let's see if we get that opportunity, Mr. Warden. But if
13 -- if you use the math that I'm putting out right now in
14 my questions, one (1) would expect that the -- the loss
15 may be greater than presently considered in the materials
16 that's been filed?

17 MR. VINCE WARDEN: Well, again, it would
18 -- it probably would be better to have that document in
19 front of us and then we'll know exactly what we're
20 talking about.

21 MR. BOB PETERS: All right. Let's do
22 that. Thank you, sir. A minor point, Mr. Wiens, the
23 trading desk costs, according to the Board order should
24 be assigned to the export class, but Manitoba Hydro has,
25 instead of assigning 100 percent of those costs is

1 assigning about 42 percent of the costs in its latest
2 cost of service study, correct?

3 MR. ROBIN WIENS: That sounds right, yes.

4 MR. BOB PETERS: And the reason for that
5 difference and disagreement with what the Board had
6 suggested is what?

7 MR. ROBIN WIENS: That the activities
8 which are lumped under trading desk, and I believe MAPP,
9 MISO, and -- and other operations within the power supply
10 business unit, that they would still exist even if
11 Manitoba Hydro did not make exports, as long as we're
12 interconnected, and would be required for reliability.
13 And we tried as best we could to estimate the -- the
14 incremental costs that would be associated with having an
15 active export program.

16 MR. BOB PETERS: Typically, Manitoba
17 Hydro exports, I guess over the last virtual decade, the
18 better part of 10,000 gigawatt hours a year?

19

20 HAROLD SURMINSKI, Resumed

21

22 MR. HAROLD SURMINSKI: Yes, in recent
23 years eight thousand (8,000) is more of an expected
24 average.

25

1 CONTINUED BY MR. BOB PETERS:

2 MR. BOB PETERS: Thank you, Mr.
3 Surminski. And in terms of importing, the imports are
4 generally around the 2,500 gigawatt hours a year?

5 MR. HAROLD SURMINSKI: In our forecasts,
6 and I think that's correct.

7 MR. BOB PETERS: Is there any different
8 effort needed when buying as opposed to selling
9 electricity on the export market or the import market as
10 it would become?

11 MR. HAROLD SURMINSKI: I'm not sure what
12 you mean by efforts.

13 MR. BOB PETERS: Well, the costs haven't
14 been assigned even under the latest fifty/fifty (50/50),
15 and I'm wondering does it take more effort to import
16 electricity than it does to export electricity?

17

18 (BRIEF PAUSE)

19

20 MR. ROBIN WIENS: Mr. Peters, I -- I'm
21 not sure that we can answer that question, or at least
22 the members of the panel here today. But perhaps it
23 might -- to clarify matters, that's not really what we're
24 saying. We're saying that in order to maintain reliable
25 power for domestic customers, we have estimated that a

1 certain amount of the costs of the trading desk and other
2 relationships with MAPP and MISO would have to be
3 incurred even if we did not do exports.

4 Now, the fact that we do exports adds some
5 incremental costs to that and the 42 percent is based on
6 our best estimate of those incremental costs.

7 MR. BOB PETERS: All right. I have your
8 point, Mr. Wiens, and I guess my question to you was
9 you're assigning 58 percent of the costs to the domestic
10 customer and only forty-two (42) to the export customer.

11 MR. ROBIN WIENS: That -- that is right.

12 MR. BOB PETERS: And even though the --
13 the importing, for the benefit of, even notionally, for
14 the domestic customer is only one-quarter (1/4) of what
15 the export is?

16 MR. ROBIN WIENS: But again, I guess I'll
17 have to reiterate, what we tried to determine was what
18 costs would we continue to incur even if we did not
19 export. And that was where the estimate of the 58
20 percent came. And the 42 percent is the additional costs
21 that we incur because we have an active export program.

22

23 (BRIEF PAUSE)

24

25 MR. BOB PETERS: Mr. Wiens, can you

1 remind the Board the source of the data used for the cost
2 of service studies for the '08, the '10, and the '11,
3 which IFF was employed for each, and then which revenues
4 were used for each, as well as the quantity of energy
5 used. What were the sources of that material?

6 MR. ROBIN WIENS: Well, just looking at
7 the dates on them I would say that we used IFF-07 for the
8 first column in that table, for the -- the filing in
9 August of 2007, and we would have used the same data for
10 the next column. Even though we filed subsequent to the
11 new IFF, the idea was to demonstrate what the difference
12 was between what we filed in '08 and what we filed to
13 comply with Order 116/'08.

14 PCOSS '10 would have been based on -- let
15 me just check this.

16

17 (BRIEF PAUSE)

18

19 MR. ROBIN WIENS: PCOSS '10 would have
20 been filed around the same time as IFF-09 was being
21 considered, so it would have been based on IFF-08, and
22 PCOSS '11 would have based -- been based on IFF-09.

23 MR. BOB PETERS: Just on -- on the PCOSS
24 '10, did you mean to say it was prepared on IFF-08?

25 MR. ROBIN WIENS: Yes, I did.

1 MR. BOB PETERS: All right, thank you.

2

3 (BRIEF PAUSE)

4

5 MR. BOB PETERS: Mr. Wiens, back to book
6 of documents Tab 47, page 124 in Volume II of Board
7 counsel's book of documents, on Schedule B1 that you have
8 reviewed with the Vice-Chair, Manitoba Hydro uses \$384
9 million as the export revenue for the first test year
10 before this Board. Are you with me on that?

11 MR. ROBIN WIENS: This is for the -- this
12 would be IFF-11, which would be the first test year, yes.

13 MR. BOB PETERS: And also then Schedule
14 B2 uses 7,122 gigawatt hours of export energy. You'd see
15 that on Schedule B2, the next page --

16 MR. ROBIN WIENS: Yes.

17 MR. BOB PETERS: -- of the document? And
18 IFF-09 uses total export sales of seven thousand one
19 hundred twenty-two (7,122), so there's a direct
20 correlation there with those two (2) numbers, sir?

21 MR. ROBIN WIENS: Yes.

22 MR. BOB PETERS: But the total export
23 revenue is shown as only \$292 million, and not \$383
24 million.

25 MR. ROBIN WIENS: Where is the two ninety

1 two (292) coming from?

2 MR. BOB PETERS: It is from PUB Manitoba
3 Hydro Second Round 45 Revised, and I think that was in
4 the book of documents -- sorry, Mr. Wiens, it's in --
5 it's way back at Tab 6 of the -- the first volume of book
6 of documents. If we look to the -- at Tab 6, page 25 of
7 Volume I, the assumption for IFF-09 export revenue
8 assumptions uses total export revenue sales of \$292
9 million.

10

11 (BRIEF PAUSE)

12

13 MR. BOB PETERS: My question, Mr. Wiens,
14 once you find those numbers is: Is the difference
15 attributed to merchant sales?

16

17 (BRIEF PAUSE)

18

19 MR. ROBIN WIENS: Mr. Peters, I'm sure we
20 can find an explanation for this. We just don't have it
21 close at hand.

22 MR. BOB PETERS: All right. Let me make
23 sure that you and I are on the same wavelength before I
24 ask for that undertaking, Mr. Wiens. If we -- if we go
25 way, way back, and let's not do it too long, at Tab 6 of

1 the book of documents, first cou -- first book of
2 documents for Board counsel, Manitoba Hydro uses \$292
3 million of export revenue in the first test year. You'd
4 agree with that, sir?

5 MR. ROBIN WIENS: I see that.

6 MR. BOB PETERS: And Manitoba Hydro then
7 comes up with an average export price of four point one
8 (4.1) cents a kilowatt hour is the last line on that
9 page?

10 MR. ROBIN WIENS: Yes.

11 MR. BOB PETERS: But if we use the way
12 you're doing your cost of ser -- I don't mean you in the
13 personal sense, Mr. Wiens, but if we look at how Manitoba
14 Hydro's doing their cost of service study, you're using a
15 higher export revenue number of 384 million, dividing it
16 by the same volume of exports, and coming up with five
17 point four (5.4) cents a kilowatt hour as your average
18 export price. And you use that five point four (5.4)
19 cents in your cost of service study, as I interpret it.

20 Would I be correct?

21 MR. ROBIN WIENS: Yes, Mr. Peters. And I
22 suspect this has to do with the merchant transactions.
23 But to be absolutely sure, we're going to have to look at
24 a schedule that -- that explains this variance.

25 MR. BOB PETERS: That's fair, sir. But

1 let's -- let's ask for the undertaking for you to provide
2 the Board with an explanation as to why the -- the
3 difference occurs as between the export revenue shown in
4 the assumptions for exports and the export revenue
5 utilized by Manitoba Hydro in the cost of service study.
6 You'd accept that as the undertaking, Mr. Wiens?

7 MR. ROBIN WIENS: Yes.

8

9 --- UNDERTAKING NO. 100: Manitoba Hydro to indicate as
10 to why the difference occurs
11 as between the export revenue
12 shown in the assumptions for
13 exports and the export
14 revenue utilized by Manitoba
15 Hydro in the cost of service
16 study, and include why
17 merchant sales which had been
18 removed from the volumes
19 should not be also removed
20 from the revenues

21

22 CONTINUED BY MR. BOB PETERS:

23 MR. BOB PETERS: And -- okay.

24 Recognizing that merchant sales may be the culprit in
25 this scenario as I paint them, shouldn't merchant sales

1 be removed from both the revenues and the volumes?

2

3

(BRIEF PAUSE)

4

5 MR. ROBIN WIENS: Mr. Peters, there --
6 there -- with the merchant transactions we do not
7 associate sales from the Manitoba system or vol -- well,
8 we associate the revenue, but we don't associate the
9 volumes of the Manitoba system.

10 MR. BOB PETERS: Well, there are no
11 volumes from the Manitoba system because the merchant
12 sales are done ex juris Manitoba assets, they're --
13 they're using MISO assets.

14 MR. HAROLD SURMINSKI: Yes, that's right.

15 MR. BOB PETERS: And -- and so to your
16 point, Mr. Wiens, maybe you could undertake to -- or
17 include in your undertaking why merchant sales which had
18 been removed from the volumes should not be also removed
19 from the revenues. You have my question, Mr. Wiens?

20 MR. ROBIN WIENS: I do, Mr. Peters.

21 MR. BOB PETERS: Not that I want to go
22 under cross-examination, but have you questions of me on
23 the undertaking that I've asked for?

24 MR. ROBIN WIENS: No, sir.

25 MR. BOB PETERS: Oh, no. All right.

1 THE CHAIRPERSON: Would a possible
2 solution be the -- a separate line for merchant sales
3 that wouldn't be associated with volumes?
4

5 CONTINUED BY MR. BOB PETERS:

6 MR. BOB PETERS: Mr. Warden, you can
7 maybe help the Chairman out on that. The 7,122 gigawatt
8 hours that is shown as the export sales as the IFF
9 assumptions, that excludes merchant sales volumes?

10 MR. VINCE WARDEN: Yes.

11 MR. BOB PETERS: And the question the
12 Chairman is asking is: Would it be able to be included
13 on this Excel spreadsheet, a line item for merchant sales
14 volume as well as merchant sale revenues?

15 MR. HAROLD SURMINSKI: But merchant sales
16 are not assumed to occur after 2011/'12 in -- in our
17 work, so it's only the first two (2) years that they
18 would show up here.

19 MR. BOB PETERS: So it would be easy to
20 do?

21 MR. HAROLD SURMINSKI: Yes. I --

22 MR. ROBIN WIENS: I guess, Mr. Peters,
23 the point is though that even though there's no Manitoba
24 volumes associated with them, these revenues are
25 available, either to defray the costs that we assign to

1 exports or allocate to exports in this study or as a net
2 benefit to the classes of customer in Manitoba, to the
3 extent that they are what is contributing or causing this
4 discrepancy.

5 MR. BOB PETERS: Well, I think we'll
6 await your response to the undertaking before we -- we go
7 further with that, Mr. Wiens.

8

9 (BRIEF PAUSE)

10

11 MR. BOB PETERS: Mr. Wiens, I want to
12 move to I think one (1) last topic on the cost of service
13 -- sorry.

14

15 (BRIEF PAUSE)

16

17 MR. BOB PETERS: Mr. Wiens, I want to
18 move to I think one (1) last topic on the cost of service
19 study line of questions.

20 Would Manitoba Hydro agree that in general
21 terms Hydro would like the cost of service study inputs
22 to be accurate even though a forecast?

23 MR. ROBIN WIENS: Yes.

24 MR. BOB PETERS: And it's a prospective
25 cost of service study, meaning it is exactly that; it is

1 a forecast of costs and a forecast of revenues?

2 MR. ROBIN WIENS: Yes.

3 MR. BOB PETERS: And the past four (4)
4 cost of service studies done by Manitoba Hydro -- Hydro
5 have all had forecasts of average export prices?

6 MR. ROBIN WIENS: To be clear, the cost
7 of service study does not forecast export prices. There
8 is a number that will come out at the end as a result of
9 everything else that goes into the study, but it's not
10 the intent of the study to forecast average prices.
11 That's -- that's done elsewhere in Manitoba Hydro's
12 planning cycle.

13 MR. BOB PETERS: In terms of the use of
14 export prices, Mr. Wiens, Manitoba Hydro, in the cost of
15 service study, comes up with a calculation based on -- on
16 what the forecasts are going forward, correct?

17 MR. ROBIN WIENS: Can you repeat that,
18 please?

19 MR. BOB PETERS: The cost of service
20 study can be used to determine Manitoba Hydro's forecast
21 of the average export prices going forward?

22 MR. ROBIN WIENS: You -- you get the --
23 you get the revenue from exports that's included in the
24 study; and we have a number for the volume of exports in
25 kilowatt hours or gigawatt hours, and the unit value is

1 the result of the dividing one (1) into the other.

2

3

(BRIEF PAUSE)

4

5

MR. BOB PETERS: When Manitoba Hydro
6 compares their forecast result of the average export
7 price to what in fact is the actual export price
8 realized, Manitoba Hydro's forecasts are always of a
9 greater export average price than the actual.

10

And that's certainly been the case has it
11 not for the last three (3) or four (4) years?

12

MR. HAROLD SURMINSKI: In a falling
13 market I think that falls out that way.

14

MR. BOB PETERS: And in I think it was
15 Order 117/'06, wasn't the suggestion from this Board that
16 rather than do the calculations with the -- based on the
17 forecast of what the price will be for average exports to
18 use actual prices that have occurred?

19

MR. ROBIN WIENS: In the past.

20

MR. BOB PETERS: Yes.

21

MR. ROBIN WIENS: In the past. Mr.
22 Peters, we were very reluctant to use that approach
23 because it's -- it's not consistent with what we're doing
24 with the rest of the IFF. And moreover, past prices
25 could reflect the water condition other than the one

1 that's assumed in the cost of service study, those median
2 water flows. If you have a high water flow year, the
3 likelihood is that you're going to get lower export
4 prices than would you in a median flow year.

5 So we believe that the -- notwithstanding
6 the fact that we have had situations in recent years
7 where, in falling market where the actuals tend to be
8 less than the -- the forecast, we believe it's still
9 appropriate to use the forecast, because that's what's
10 based on all the other assumptions in -- in the IFF.

11 MR. BOB PETERS: Would there be a
12 material impact, Mr. Wiens, if the actual export prices
13 from the past had been used as the -- as the export
14 revenue price?

15 MR. ROBIN WIENS: There could be a
16 material difference. It depends on what the gap is.

17 MR. BOB PETERS: Maybe, Mr. Wiens, would
18 you accept an undertaking to refile Schedules B1 and 2
19 from both the '10 and '11 prospective Cost of Service
20 Studies with columns added to reflect results on a
21 comparative basis using actual average export prices, as
22 directed by the Board in its order, with merchant sales
23 and purchases also being removed from that scenario?

24 Would you at least -- do you need to
25 consider that, or are you prepared to agree to undertake

1 to provide that information to the Board?

2 MR. ROBIN WIENS: Well, I -- I think we
3 can provide that information. I guess my concern is --
4 is how meaningful it's going to be.

5 MR. BOB PETERS: And I appreciate there
6 may be another day where that becomes more meaningful,
7 Mr. Wiens, but...

8 MR. ROBIN WIENS: Mr. Peters, just to --
9 to clarify what we're going to do here. If, as I
10 suspect, the figure on page 124, which reflects export
11 revenues indeed does include the merchant sales, I am
12 advised that when we look at what the costs are for these
13 exports that the merchant -- that the purchases
14 associated with those merchant sales are indeed included
15 in the costs that are ascribed to this class. So the --
16 in effect, the merchant sales are netted out.

17 So what's included, ultimately, is the --
18 when you take the -- the \$337 million that are the costs
19 that are either assigned or allocated to that class, that
20 includes the merchant sales -- the costs associated with
21 the merchant sales. So the 46 million of net export
22 revenue that is available to allocate to the domestic
23 customer classes has had all of those costs netted out.

24 MR. BOB PETERS: I understand that. And
25 then why is the volume removed from the volume of export

1 -- export volumes?

2 MR. ROBIN WIENS: Well, I don't think
3 it's anymore meaningful, because it's not made out of the
4 Manitoba Hydro system. It's -- and -- and we've take --
5 we've taken out all the costs that are associated with it
6 in terms of preparing the results here. So I --

7 MR. BOB PETERS: It inflates the average
8 price then of the Manitoba asset exports?

9 MR. ROBIN WIENS: It -- it does, but only
10 for the purposes of preparing the Cost of Service Study
11 and for -- for providing an offset to costs or available
12 revenue for allocation to Manitoba Hydro's domestic
13 customer classes. So I -- I -- the -- the point of
14 requesting this clarification, Mr. Peters, is that yes,
15 we -- we can and will prepare a -- a revision to this
16 table B1 that looks at -- that uses a past period to show
17 the export prices; although we are not convinced that's
18 the way to do it, we will do it. But I'm just not
19 certain why we would exclude the net revenue from the
20 merchant sales in doing it.

21 MR. BOB PETERS: All right. Well, we've
22 got your position on that when we look at the undertaking
23 then, Mr. Wiens, so I appreciate that.

24 MR. ROBIN WIENS: So you're still saying
25 that you want the merchant transactions --

1 MR. BOB PETERS: I think it would be
2 helpful to see that, yeah.

3 MR. ROBIN WIENS: Costs and --

4 MR. BOB PETERS: Revenues.

5 MR. ROBIN WIENS: -- revenues excluded?

6 MR. BOB PETERS: Yes.

7 MR. ROBIN WIENS: All right.

8

9 --- UNDERTAKING NO. 101: Manitoba Hydro to refile
10 Schedules B1 and 2 from both
11 the '10 and '11 prospective
12 Cost of Service Studies, with
13 columns added to reflect
14 results on a comparative
15 basis using actual average
16 export prices, as directed by
17 the Board in its order, with
18 merchant sales and purchases
19 also being removed from that
20 scenario

21

22 CONTINUED BY MR. BOB PETERS:

23 MR. BOB PETERS: Yes. Mr. Wiens, I don't
24 have much on the curtailable rates, other than that in
25 January of this year Manitoba Hydro provided a

1 curtailable rates report to the Public Utilities Board?

2 MR. ROBIN WIENS: Yes.

3 MR. BOB PETERS: And in that curtailable
4 rates program for 2010 there were three (3) curtailments
5 over the calendar year -- or sorry, over the fiscal year?

6 MR. ROBIN WIENS: Yes.

7 MR. BOB PETERS: And as I noted them, one
8 (1) curtailment was for one (1) hour at 42 megawatts, the
9 second was for point five five (.55) of an hour at 40
10 megawatts, and one (1) was for three (3) minutes at 40
11 megawatts.

12 Do you accept that subject to check?

13 MR. ROBIN WIENS: Yes.

14 MR. BOB PETERS: And there would be no
15 alternative supply used by the customers during that
16 curtailment that you're aware of?

17 MR. ROBIN WIENS: No.

18 MR. BOB PETERS: And all of these were
19 on-peak interruptions?

20 MR. ROBIN WIENS: Yes.

21 MR. BOB PETERS: The cost to Manitoba
22 Hydro for these three (3) interruptions was approximately
23 \$5.8 million paid out or credited to the customers?

24 MR. ROBIN WIENS: That would be the value
25 of the credits paid out. I wouldn't say that it is the

1 cost specifically for those curtailments. Had there been
2 no curtailments, we still would have paid that amount
3 out.

4

5 (BRIEF PAUSE)

6

7 MR. BOB PETERS: I'm sorry, I didn't
8 understand your last -- part of your answer.

9

10 (BRIEF PAUSE)

11

12 MR. ROBIN WIENS: I'm sorry, Mr. Peters.
13 These three (3) curtailments were Option R curtailments,
14 which means that Manitoba Hydro does pay an amount for
15 kilowatt hours curtailed, as well as the kilowatts. So I
16 did misspeak myself the last time through.

17 The -- the reliability payments would have
18 been made regardless of the curtailments. The per
19 kilowatt hour payments would not have been made.

20 MR. BOB PETERS: Thank you. And maybe
21 for the benefit of the Board and the Intervenors,
22 Manitoba Hydro could undertake to file that curtailable
23 rates program report on the record of these proceedings?

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

25

1 --- UNDERTAKING NO. 102: Manitoba Hydro to file the
2 curtailable rates program
3 report
4

5 CONTINUED BY MR. BOB PETERS:

6 MR. BOB PETERS: Mr. Wiens or Mr.
7 Surminski, are there extra exports made from the freed up
8 capacity under this -- under this program? Und...

9 MR. ROBIN WIENS: For Option R, yes, they
10 are.

11 MR. BOB PETERS: Do you measure the
12 received revenue from the exports against the costs of
13 the -- of the curtailment?
14

15 (BRIEF PAUSE)
16

17 MR. ROBIN WIENS: We don't specifically
18 measure that, Mr. Peters.

19 MR. BOB PETERS: All right. Thank you.
20 The limited use billing demand was also reported in that
21 matter to the Board that you've undertaken to file, Mr.
22 Wiens, is that correct?

23 MR. ROBIN WIENS: Yes.

24 MR. BOB PETERS: And the limited use
25 billing demand program is still in operation?

1 MR. ROBIN WIENS: Yes.

2 MR. BOB PETERS: But the winter ratchet
3 is no longer utilized?

4 MR. ROBIN WIENS: That's also correct.

5 MR. BOB PETERS: And the winter ratchet
6 was reduced from 80 percent to approximately seventy (70)
7 cent -- 70 percent by this Board when the limited use
8 billing demand rate option was introduced?

9 MR. ROBIN WIENS: If that happened, it --
10 I -- I believe it would have been a coincidence, if they
11 were at the same time. Yes, it has been reduced in the
12 past. I don't recall exactly which year. It's been
13 quite a few years now, that it would have been reduced.

14 MR. BOB PETERS: And one (1) of the
15 points is that there was prior discussion in previous
16 Board orders, Mr. Wiens, about time of use rates being
17 explored, or expanded by Manitoba Hydro?

18 MR. ROBIN WIENS: Yes.

19 MR. BOB PETERS: While that matter may
20 have been studied by Manitoba Hydro, there's been no
21 proposal for time of use rates.

22 Is that correct?

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

24 MR. BOB PETERS: And rather than time of
25 use rates, would it be correct that Manitoba Hydro's

1 response was to essentially remove the winter ratchet?

2 MR. ROBIN WIENS: No, I believe Manitoba
3 Hydro was directed in a previous order of this Board to
4 remove the winter ratchet.

5 MR. BOB PETERS: And when it was removed,
6 Mr. Wiens, it was done through tariff filings, as opposed
7 to a rate application filing?

8 MR. ROBIN WIENS: I believe -- I'm
9 advised we notified the Board, but there wasn't a
10 particular rate application because it was already a
11 directive of the Board to do so.

12 MR. BOB PETERS: On the Limited Use
13 Billing Demand Program, Mr. Wiens, remind the Board; that
14 was intended to alleviate the negative impacts that the
15 winter ratchet had on -- on customers?

16 MR. ROBIN WIENS: Not necessarily. That
17 was intended to relieve the impacts of demand charges on
18 the very low load factor customers. Some of that may
19 have been the winter ratchet, but there were a lot of
20 customers who were affected that were not affected by the
21 winter ratchet.

22 MR. BOB PETERS: Initially, it was those
23 who had had a high winter demand and a relatively low
24 summer demand?

25 MR. ROBIN WIENS: Going from memory, Mr.

1 Peters, it was both. There were some that only were --
2 were active in the summertime.

3 MR. ROBERT MAYER: Golf courses and ski
4 clubs, but not Mystery Mountain. I remember that
5 discussion too.

6 MR. ROBIN WIENS: Agricultural loads.

7

8 CONTINUED BY MR. BOB PETERS:

9 MR. BOB PETERS: Now these customers can
10 expect a lower demand charge and a higher energy charge?

11 MR. ROBIN WIENS: That's correct.

12 MR. BOB PETERS: And the crossover point
13 is an 18 percent load factor?

14 MR. ROBIN WIENS: When we first designed
15 it, that was -- that was the point at which it would have
16 crossed over, where a customer would have been
17 indifferent to whether they were on the regular rate or -
18 - or on this rate. Now, that can vary from customer to
19 customer, because in addition to load factor there may be
20 other aspects to it, winter ratchet being one (1) that
21 you mentioned, but the -- typically, the crossover point
22 was 18 percent load factor.

23 MR. BOB PETERS: When the Board reviews
24 the undertaking that you've made and they review the
25 filing, there's approximately a hundred and five (105)

1 participants in the limited use billing demand?

2 MR. ROBIN WIENS: Yes.

3 MR. BOB PETERS: Of which thirty-one (31)
4 appear to be other utility industries.

5 MR. ROBIN WIENS: I see that.

6 MR. BOB PETERS: Can you explain to the
7 Board generically what these other utility industries
8 are?

9 MR. ROBIN WIENS: They are mostly
10 waterworks, water utilities.

11 THE CHAIRPERSON: Mr. Peters, if it's not
12 too interfering with your process, I think we'll take our
13 break now.

14 MR. BOB PETERS: Thank you, sir. I'll
15 review my notes so I can conclude quickly.

16

17 --- Upon recessing at 2:47 p.m.

18 --- Upon resuming at 3:09 p.m.

19

20 THE CHAIRPERSON: Okay, Mr. Peters.

21 MR. BOB PETERS: Thank you, sir.

22

23 CONTINUED BY MR. BOB PETERS:

24 MR. BOB PETERS: Mr. Wiens, we've talked
25 with yourself, and also Mr. Warden, about the temporary

1 demand billing concession which Manitoba Hydro is seeking
2 to make permanent, if I understand your Application
3 correctly.

4 MR. ROBIN WIENS: That's right.

5 MR. BOB PETERS: And at Appendix 13.1,
6 Manitoba Hydro filed a spreadsheet setting out the dollar
7 value of the demand billing concessions that had been
8 made to date.

9 Do you recall that, sir? It was a
10 schedule totalling approximately two million twenty-two
11 thousand dollars (\$2,022,000).

12 MR. ROBIN WIENS: I -- I don't
13 specifically recall the contents of the spreadsheet.

14 MR. BOB PETERS: Do you recall the total?

15 MR. ROBIN WIENS: The total doesn't seem
16 right, Mr. Peters.

17 MR. BOB PETERS: Okay. Let's just --
18 have you got Appendix 13.1? Five (5), sorry.

19

20 (BRIEF PAUSE)

21

22 MR. BOB PETERS: You've now had an
23 opportunity, Mr. Wiens, to look at Appendix 13.1?

24 MR. ROBIN WIENS: Mr. Peters, I do see
25 it, but...

1 MR. BOB PETERS: You don't agree with it?

2 MR. ROBIN WIENS: It -- it doesn't
3 reflect our final accounting --

4 MR. BOB PETERS: No, and -- and November
5 is estimated in this Appendix 13.1, correct?

6 MR. ROBIN WIENS: Yes.

7

8 (BRIEF PAUSE)

9

10 MR. VINCE WARDEN: Yes, Mr. Peters, we're
11 just looking to find the final number that's equivalent
12 to the two point two (2.2) that's shown on -- at Appendix
13 13.1. I believe that was filed with the Public Utilities
14 Board by way of letter and the total amount is 1.3
15 million, 1.291 million was the total amount of the defer
16 -- in the deferral account currently.

17 MR. BOB PETERS: Mr. Warden, Manitoba
18 Hydro will then undertake to file an updated Appendix
19 13.1?

20 MR. VINCE WARDEN: Yes. And I do apolo -
21 - I thought we had actually filed that earlier, but we
22 will do that, yes.

23 MR. BOB PETERS: I'm not saying you
24 haven't, I'm just asking you if you --

25 MR. VINCE WARDEN: We -- we will. We

1 will.

2

3 --- UNDERTAKING NO. 103: Manitoba Hydro to provide an
4 updated Appendix 13.1

5

6 CONTINUED BY MR. BOB PETERS:

7 MR. BOB PETERS: Mr. Wiens, is it correct
8 that Manitoba Hydro had available to it the option to
9 extend the program past November of 2009 into the winter
10 and spring of 2010?

11 MR. ROBIN WIENS: I believe it -- it was
12 to March 31st that we had the option to extend the
13 program, yes.

14 MR. BOB PETERS: Can you explain to the
15 Board why Manitoba Hydro did not extend this program into
16 December, January, February, and March of 2010?

17 MR. VINCE WARDEN: Mr. Peters, it was
18 Manitoba Hydro's intention that this -- this concession
19 be temporary and our intent was only to extend it to the
20 end of November. In the application to the Public
21 Utilities Board and the response we received from the
22 Public Utilities Board was that the option was -- that
23 Manitoba Hydro could extend but we chose not to exercise
24 that. We -- we determined to go with our original plan
25 to the end of November only.

1 MR. BOB PETERS: All right. And the
2 economy remained depressed after November and into
3 December in the early part of 2010, Mr. Warden?

4 MR. VINCE WARDEN: It did but this was a
5 temporary measure on Manitoba Hydro's part. Our intent
6 was to make it temporary. We had no intention to go
7 beyond November initially and we saw no reason to extend
8 it beyond November.

9 MR. BOB PETERS: The reason this program
10 was launched was because the unit rate of electricity
11 consumed by the customers affected had increased by more
12 than 10 percent?

13 MR. VINCE WARDEN: Yes.

14 MR. BOB PETERS: Did that same metric get
15 tested in December/January of 2010, February and March of
16 2010?

17 MR. VINCE WARDEN: No, not specifically.
18 We determined that we would stay with our original intent
19 to make this a very temporary measure. We didn't want
20 this to become embedded any way in the rate structure of
21 -- of Manitoba Hydro and it was a temporary relief to
22 terminate the end of November and that's what we did.

23 MR. BOB PETERS: Customer interest was
24 not expressed to extend it beyond the end of November of
25 2009?

1 MR. VINCE WARDEN: Well, there was but
2 there was some concern expressed by customers as well
3 because of -- it was being treated -- rather than a
4 concession it was being treated as a deferral so there
5 was uncertainty around whether or not they would at some
6 point have to pay the amount back. So the customers, to
7 my understanding, were not as enthusiastic about this as
8 they were when it was originally introduced.

9 MR. BOB PETERS: But you never measured
10 what the impact would have been had you carried it
11 through till the end of fiscal 2010?

12 MR. VINCE WARDEN: No, we could have.
13 You know, we could have gone on measuring it up until
14 today but we -- we didn't. We had no intention of going
15 beyond November, saw no reason to go beyond November in
16 as much as it was a temporary program, we accomplished
17 temporary relief that we set out to do and there was no
18 reason to extend it on our part.

19 MR. BOB PETERS: Appendix 13.1, at least
20 the copy I have, Mr. Warden, that is before the
21 undertaking is filed, it shows that ten (10) customers
22 took advantage of this program in terms of the temporary
23 demand billing deferral?

24 MR. ROBIN WIENS: At the time that was
25 prepared that -- that was correct. And I -- and I

1 believe -- I believe probably still is, but we can verify
2 that.

3 MR. BOB PETERS: Well, that'll be
4 included in the undertaking answer, I expect?

5 MR. VINCE WARDEN: We'll do that.

6 MR. BOB PETERS: All right. And, Mr.
7 Warden, conceptually, how is Manitoba Hydro going to
8 reflect this \$1.3 million of reduced revenue if the Board
9 was to accept Manitoba Hydro's request and make this
10 deferral permanent?

11 MR. VINCE WARDEN: Well, it would be
12 simply a reduction to -- to revenue in the amount of the
13 deferral account, which is 1.3 million, as we just
14 discussed.

15 MR. BOB PETERS: Is it being carried on
16 the books now as a contingent --

17 MR. VINCE WARDEN: Yes, it is.

18 MR. BOB PETERS: And if it is then
19 treated as \$1.3 million of less revenue, will that be
20 restated back to the fiscal 2010?

21 MR. VINCE WARDEN: No, a provision would
22 have been made in 2010, the year of the payout, with an
23 assumption that it would be approved. If it's not
24 approved then -- then we'll -- we would reverse what we -
25 - the accounting from the previous year.

1 MR. BOB PETERS: So I understand that,
2 Mr. Warden, if it is not approved it would be \$1.3
3 million of additional revenues to the bottom line of
4 Manitoba Hydro for fiscal year ending March 31, 2010?

5 MR. VINCE WARDEN: To the extent we're
6 able to collect it, yes.

7 MR. BOB PETERS: Oh? When you say to the
8 extent you're able to collect it, we -- we started this
9 afternoon with a long dissertation on the collection
10 practices available to Manitoba Hydro. What's the
11 concern about collecting this from your general service
12 large and medium customers?

13 MR. VINCE WARDEN: Well, we would be
14 attempting to collect \$1.3 million from customers that
15 were under some financial distress. To the extent they
16 still are, that might be a -- a problem.

17 MR. BOB PETERS: Is there a suggestion by
18 Manitoba Hydro that this \$1.3 million would not be able
19 to be recovered if that was so determined by this Board?

20 MR. VINCE WARDEN: No. No, the only
21 suggestion is probably the comment I just made that -- to
22 the extent that we -- we're able to collect. I -- I
23 really don't have any evidence that we wouldn't be able
24 to, but it could be difficult if -- if customers are
25 still under financial duress.

1 MR. BOB PETERS: And the remedies
2 available to Manitoba Hydro with respect to homeowners
3 are -- are but a tip of the iceberg as to what Manitoba
4 Hydro would have available with its general service large
5 and general service medium customers on a collection
6 matter, would they not?

7 MR. VINCE WARDEN: I -- I would expect
8 we'd have all those remedies that you outlined earlier
9 available to us, if not more.

10 MR. BOB PETERS: All right. And if -- if
11 revenues are reduced by \$1.3 million, should the Board
12 accede to Manitoba Hydro's request, will that \$1.3
13 million be sought to be recovered in a future date from
14 the general service large and general service medium
15 customer classes?

16 MR. VINCE WARDEN: Well, I think you're
17 now referencing a cost allocation matter and cost of
18 service principles would probably dictate that it be
19 allocated to that -- those classes from which it's most
20 applicable.

21 MR. BOB PETERS: So even if the Board
22 accepted the Company's recommen -- accepted Manitoba
23 Hydro's recommendation to forgive the \$1.3 million of
24 demand billing deferrals, at some point in the future
25 that 1.3 million would resurface by way of rate increases

1 to the customer classes that received the benefit?

2 MR. VINCE WARDEN: Theoretically, yes.

3 MR. BOB PETERS: Is that by way of
4 differentiated rate increases?

5 MR. VINCE WARDEN: Well, it would have to
6 be, Mr. Peters. It couldn't be accomplished with across
7 the board rate increases. You know, the -- the amount
8 we're talking relative to the cost to serve those
9 customer classes is really quite insignificant, so it
10 would be lost in the rounding, so to speak.

11 MR. BOB PETERS: All right. I -- I have
12 your point. Mr. Wiens, at Tab 58 of Board counsel's
13 Volume III book of documents is a typical space and water
14 heating costs summary that you'd be familiar with from
15 the Manitoba Hydro website.

16 MR. ROBIN WIENS: Yes, I have seen this
17 on previous occasions.

18 MR. BOB PETERS: And you'll note that the
19 one (1) that's filed at Tab 58 of Exhibit 18 starting on
20 page 109 is dated, or effective as of November 1 of 2010,
21 correct?

22 MR. ROBIN WIENS: Yes.

23 MR. BOB PETERS: And since November 1 of
24 2010, the primary gas rates have increased by
25 approximately 2 percent? Maybe Mr. Warden or Ms. Boyd

1 can help us confirm that directionally that's accurate.

2 MR. ROBIN WIENS: Yes.

3 MR. VINCE WARDEN: Directionally, yes,
4 that's right.

5 MR. BOB PETERS: Ms. Derksen may not
6 agree with you.

7 MR. ROBIN WIENS: Well, she just wants to
8 make sure that we have the thing properly bracketed.
9 That's a typical residential bill, so it's not the
10 primary gas rate. It's the old bill to the residential
11 customer, which is what we're talking about here.

12 MR. BOB PETERS: All right. If I
13 misspoke, I apologize. But the -- what I -- what I was
14 trying to get at was while I used the November 1st, 2010
15 document from the Manitoba Hydro website, since then
16 there's been an approximate 2 percent average increase on
17 the primary gas side?

18 MR. ROBIN WIENS: No, 2 percent --

19 MR. BOB PETERS: Of the average --
20 typical --

21 MR. ROBIN WIENS: -- of the --

22 MR. BOB PETERS: -- of the bill.

23 MR. ROBIN WIENS: -- residential customer
24 bill.

25 MR. BOB PETERS: I'm sorry, I -- I now

1 have Ms. Derksen's point, and I believe she's correct. A
2 2 percent increase in the average consumer's bill, which
3 would inflate the gas numbers by 2 percent. Is -- is
4 what -- the point we're talking about?

5 MR. ROBIN WIENS: Yes.

6 MR. BOB PETERS: But also you have
7 sitting before this Board in a -- in a different binder
8 an application to reduce gas costs by approximately 1 1/2
9 percent.

10 MR. ROBIN WIENS: Yes. Again, the
11 typical residential bill.

12 MR. BOB PETERS: All right. For purposes
13 of my discussion, and not to incur Ms. Derksen's wrath,
14 are you prepared to accept that the -- the dollar amounts
15 shown on the gas side are essentially accurate if
16 Manitoba Hydro's current application before the Board for
17 a rate reduction was approved?

18 MR. ROBIN WIENS: Sure, we can go with
19 that.

20 MR. BOB PETERS: All right. And that was
21 the detailed reason that this document was produced,
22 rather than a newer one (1), Mr. Wiens, but it will show
23 what the impact is to the gas customer if the present
24 application before the Board is approved.

25 MR. ROBIN WIENS: Sure.

1 MR. BOB PETERS: All right. We've agreed
2 from earlier today, Mr. Wiens, that Manitoba Hydro has
3 approximately four hundred and thirty-nine (439), or four
4 hundred and forty (440) residential customers?

5 MR. ROBIN WIENS: Yes.

6 MR. BOB PETERS: And that probably
7 excludes the diesel customers.

8 MR. ROBIN WIENS: Don't know that it
9 would make much difference whether we included them or
10 excluded them when we're talking four hundred and forty
11 thousand (440,000).

12 MR. BOB PETERS: All right. And what the
13 Board will see when looking at these typical space and
14 water heating comparisons is that on the natural gas side
15 any of the natural gas options appear to be less
16 expensive to the typical homeowner than does the all
17 electric option.

18 MR. ROBIN WIENS: Yes.

19 MR. BOB PETERS: And you've made the
20 point with the Vice-Chair that on the natural gas option
21 the mid-efficiency furnace and the conventional furnace,
22 those are no longer available to be purchased as new
23 installs in Manitoba.

24 MR. ROBIN WIENS: That's what I
25 understand.

1 MR. BOB PETERS: And that's because of
2 provincial legislation changes, or codes and standards
3 that have changed, and made high efficiency furnaces the
4 only option available.

5 MR. ROBIN WIENS: Yes.

6 MR. BOB PETERS: So in terms of anybody
7 considering upgrading their heating, the only option they
8 would have on the gas side would be to go to the high
9 efficiency.

10 MR. ROBIN WIENS: Yes.

11 MR. BOB PETERS: And when we look at
12 these numbers, the high efficiency gas is about four
13 hundred dollars (\$400) a year less expensive than the
14 electric heat option.

15 MR. ROBIN WIENS: Yes.

16 MR. BOB PETERS: While we are just
17 throwing numbers on the record, I noted at CAC/MSOS First
18 Round 58C that 19.2 percent of residential customers use
19 electricity for water heat but not for space heating.
20 Approximately 19 or 20 percent of your customers have
21 electric water heat but not electric space heat. Any
22 reason to disagree with that, Mr. Wiens?

23 MR. ROBIN WIENS: I -- I don't have any
24 reason to disagree with it.

25 MR. BOB PETERS: And when we look at the

1 inverted rates or the rate structure that is presently
2 before the Board at Tab 60 of the book of documents,
3 turning to page 126 in the top right-hand -- actually
4 127, we see that the residential rate, of which I will
5 focus on, includes the first block at six point five two
6 (6.52) cents a kilowatt hour and the second block at six
7 point eight four (6.84) cents a kilowatt hour, correct?

8 MR. ROBIN WIENS: Yes.

9 MR. BOB PETERS: Approximately a third of
10 one (1) cent of an inversion from first to second block,
11 Mr. Wiens?

12 MR. ROBIN WIENS: Yes.

13 MR. BOB PETERS: Does Manitoba Hydro
14 accept that those customers that are heating their home
15 with electricity are essentially heating their home all
16 out of the second block rate?

17 MR. ROBIN WIENS: That's probably true in
18 most cases.

19

20 (BRIEF PAUSE)

21

22 MR. BOB PETERS: Mr. Wiens, flipping to
23 Tab 61 of the book of documents, on page 131 we see the
24 MIPUG Manitoba Hydro First Round question 20D where the
25 all electric customers use is compared to a customer that

1 does not use electric space heat?

2 MR. ROBIN WIENS: Yes.

3 MR. BOB PETERS: And in that case, the
4 all electric customer is into the second block of energy
5 charges in every month of the year?

6 MR. ROBIN WIENS: As I said, this is
7 probably true of most customers. These are averages, and
8 -- and that certainly looks to be the case for the
9 average.

10 MR. BOB PETERS: And also from an average
11 point of view, if you are not using electricity for space
12 heat you only are exposed to the second tier rate on --
13 on four (4) of the twelve (12) months of the year?

14 MR. ROBIN WIENS: Again, that's for the
15 average customer.

16 MR. BOB PETERS: Mr. Wiens, at Tab 59 of
17 the book of documents, on page 116 there might be some
18 statistics of interest to the Board. This is found, Mr.
19 Chairman and Mr. Vice-Chairman, at Tab 59 of PUB Exhibit
20 18. When we look at the all electric customer...

21

22 (BRIEF PAUSE)

23

24 MR. BOB PETERS: I think we had
25 previously used a number, Mr. Wiens, that there's

1 approximately a hundred and fifty-two thousand (152,000)
2 customers of Manitoba Hydro using electricity for space
3 heat?

4 MR. ROBIN WIENS: I recall that from this
5 morning.

6 MR. BOB PETERS: And of those hundred and
7 fifty-two thousand (152,000), some of those customers
8 have access to alternate heat sources, such as natural
9 gas, and some do not?

10 MR. ROBIN WIENS: Yes.

11 MR. BOB PETERS: And looking on page 116
12 found at Tab 59 of the book of documents, in the top left
13 quadrant of the -- of the chart there appears that those
14 in the north, there's twenty thousand (20,000)
15 residential customers that Manitoba Hydro has, and none
16 of those twenty thousand eight hundred and fifty-two
17 (20,852) customers would have access to natural gas.

18 Would that be accepted?

19 MR. ROBIN WIENS: Natural gas, yes.

20 MR. BOB PETERS: They may have other
21 heating options, but not natural gas, which appears the
22 least expensive option available right now?

23 MR. ROBIN WIENS: They do not have access
24 to natural gas.

25 MR. BOB PETERS: And likewise, in the

1 south of Manitoba there's fifty-six thousand six hundred
2 and twelve (56,612) customers that are forecast -- or --
3 or used the survey to estimate, do not have natural gas
4 available to them and use electric space heat?

5 MR. ROBIN WIENS: I see that.

6 MR. BOB PETERS: Does Manitoba Hydro
7 ascribe any difference to the customers that have gas
8 available to those customers who do not have gas
9 available when considering the space heating requirements
10 of those customers?

11

12 (BRIEF PAUSE)

13

14 MR. ROBIN WIENS: Well, oth -- other than
15 -- Mr. Peters, from my own perspective other than the
16 fact we -- we know there are some electric heating
17 customers in areas where there are gas available and I --
18 I would assume that most of the customers in areas where
19 gas is not available are electric. Other -- other than
20 that I'm not sure what -- what you're asking me.

21 MR. BOB PETERS: All right. Let me
22 rephrase my question. In past, Manitoba Hydro has
23 expressed some empathy if not sympathy for those
24 customers who are faced with electric heating in our
25 winter seasons.

1 (BRIEF PAUSE)

2

3 MR. VINCE WARDEN: Well, we certainly
4 recognize, Mr. Peters, that there are customers that
5 don't have choices.

6 MR. BOB PETERS: But there's -- well,
7 that -- that's coming to my point maybe quicker than I'd
8 hoped, Mr. Warden. Does Manitoba Hydro consider that it
9 has some customers who are -- have concerns with the rate
10 structure in terms of the first tier and the second tier
11 rates that are charged? And the second tier being the
12 rate against which their home is at least notionally
13 heated?

14 MR. VINCE WARDEN: Mr. Peters, for -- for
15 -- for the reasons that you've outlined in terms of the
16 gas and the chart that demonstrates that at this time
17 that gas is certainly a fuel that is less expensive than
18 electricity for space heating and water heating, Manitoba
19 Hydro thinks it's important to -- to send some kind of a
20 price signal. So we're not telling customers what they
21 should use in terms of their space or water heating
22 requirements. But with this very minor inversion that we
23 have before this Board, it sends some -- something of a
24 price signal.

25 So for new homes that are being built

1 today in the City of Winnipeg with electric water
2 heaters, the question I think that customers should be
3 asking themselves is whether that's the right choice.
4 And as long as we don't -- the Utility, Manitoba Hydro,
5 doesn't send out some kind of a price signal then we're
6 not -- we're not doing our job. So this is a very minor
7 inversion.

8 We haven't to my knowledge had a lot of
9 push back from customers. Certainly customer -- no
10 customer likes a rate increase but I haven't received --
11 at least not -- that's come to my attention, a lot of
12 comments from customers that this -- the -- the tail
13 block is -- is causing them a great deal of concern.

14 MR. BOB PETERS: All right. And I should
15 remind the Chairman and Vice-Chair that I've perhaps been
16 tardy in some duties with the Board acting secretary and
17 executive director that there have been some
18 presentations made to this Board, you've heard some of
19 them and you've also -- there have been some in writing
20 that express concern if they're an all-electric home with
21 no options that the rate increases are hitting them
22 particularly hard relative to their -- relative to
23 others.

24 MR. VINCE WARDEN: And there's no doubt.
25 There's no doubt there are some of those but relative to

1 the -- the population of residential customers in rural
2 Manitoba not a -- not a large number.

3 MR. BOB PETERS: Do I take from that
4 answer, Mr. Warden, that whatever the cost is the cost is
5 and customers will make their choice and that's the
6 extent of the involvement of Manitoba Hydro?

7 MR. VINCE WARDEN: Well, I think Manitoba
8 Hydro has responsibility to send the appropriate price
9 signals. And along with that to provide information to
10 customers so that they -- the customers -- customers can
11 make informed choices.

12 MR. BOB PETERS: And what about those
13 customers that I've identified on page 120 at Tab 59?

14

15 (BRIEF PAUSE)

16

17 MR. BOB PETERS: Let me repeat the
18 reference. It's actually at Tab 59 of Board counsel book
19 of documents, page 116. There's twenty thousand eight
20 hundred and thirty-two (20,832) maybe fifty-two (52) in
21 north, and fifty-six thousand six hundred and twelve
22 (56,612) in the south that have no option to go to
23 natural gas.

24 MR. VINCE WARDEN: Again, I think the
25 level of inversion that's been introduced to date is --

1 is not significant and pricing those are important to
2 those people as well. It shows the -- the -- to some
3 extent, the -- the value of Power Smart initiatives, home
4 insulation, other measures they can take to conserve
5 energy.

6 MR. ROBERT MAYER: Mr. Warden, that's how
7 we were sold Power Smart, only we called it Live Better
8 Electrically in those days, people who lived in Winnipeg.
9 That's how they ended up -- we heard at least one (1)
10 person make that presentation here.

11 We've seen others in the -- by letter
12 form. Live Better Electrically, total electricity in
13 your home. A number -- I know a number of people who
14 accepted that offer from Manitoba Hydro when I lived in
15 Transcona. So I'm having a little trouble with that
16 argument from Manitoba Hydro at this point.

17 MR. VINCE WARDEN: Well --

18 MR. ROBERT MAYER: Secondly -- secondly -
19 - don't -- let me -- some of us, sending us a price
20 signal does us no good. We have insulated our homes, we
21 have put timers on our -- on the plugs for our motor
22 vehicles, but you know what, it's only so far you can
23 turn down this -- down the furnace and turn down the
24 heat, and yes, we do wear sweaters, and turn that down
25 when it hits minus forty (40).

1 Now, I don't know what a price signal is
2 supposed to do for those of us whose only realistic
3 option is to use propane. And if I'm looking at the
4 schedules here, propane is not a really good alternative.
5 What kind of price signal are you sending to us, Mr.
6 Warden? And what can we do about it?

7 MR. VINCE WARDEN: Well, I think your --
8 your points are well taken, Mr. Mayer. I -- I'm not sure
9 that all customers follow the measures that -- that you
10 do. Again, I -- I do have to emphasize that the -- I --
11 I think the level of inversion is relatively minor at
12 this point in time. We're headed in -- in that
13 direction. Whether or not we continue to go down an
14 inverted rate structure that is more pronounced is
15 certainly up to some of the deliberations that will take
16 place before this Board.

17 I -- I think where we are today, the
18 amount of inversion is -- is very minor. The -- I think
19 -- I -- I don't think we've been using the slogan, live
20 better electrically for a long time. I'm not sure when
21 it was, we abandoned that, but it certainly isn't
22 current, and I -- I -- but I certainly understand your --
23 your point of view.

24 MR. ROBERT MAYER: I'm prepared to
25 concede that there may not be a lot of people in this

1 room who remember Live Better Electrically, but there
2 were a couple of customers that we talked to -- or who
3 have sent -- or at least indicated to the Board that they
4 very well remember it, and -- and I too remember it.

5

6 CONTINUED BY MR. BOB PETERS:

7 MR. BOB PETERS: Mr. Warden, Mr. Wiens,
8 just to put a -- put a lo -- a number on it, if we turn
9 to Tab 59 of the Board counsel book of documents and turn
10 to page 120 in the top right-hand corner, the average
11 consumption for the all electric customer is compared to
12 the average consumption of the non-electric heat customer
13 -- have you located that page, sir?

14 MR. ROBIN WIENS: Yes.

15 MR. BOB PETERS: And basically, Mr.
16 Wiens, on an overall average, 10,000 kilowatt hours a
17 year for the non-electric heat compared to twenty-five
18 (25) or twenty-six thousand (26,000) for the electric
19 heat customer.

20 MR. ROBIN WIENS: Yes.

21 MR. BOB PETERS: And when the Board talks
22 about options in terms of rate design, if the -- if the
23 rate blocks were changed, I hear Mr. Warden saying that
24 the amount of the inversion is relatively insignificant
25 to impact the -- the overall cost if you have to heat

1 electrically?

2 MR. ROBIN WIENS: Well, relative to the
3 rate itself it's -- it's -- it's -- it's in the order of
4 about 5 percent of the rate itself.

5 MR. BOB PETERS: And so expanding the --
6 the rate block for -- for all electric customers is not a
7 rate design that Manitoba Hydro sees merit with?

8 MR. ROBIN WIENS: Well, we -- we have
9 taken a look at it, Mr. Peters and we find it -- and I --
10 I believe I've mentioned this before in previous
11 proceedings, that it's -- it's heavy on administration.
12 The numbers that you're seeing here are numbers that are
13 self-reported of a sample of customers.

14 We do maintain in our customer database
15 coding as to whether the customer is all electric or not,
16 but that changes over the years. It's -- when a hou --
17 when a home is first built you can -- you -- you can go
18 in and you can see that it's set up for all electric, but
19 we don't send people around to check on an ongoing basis
20 as to whether it's not, or whether it is.

21 Some people will declare themselves heat
22 capable even who have, you know, what's clearly
23 supplementary, as -- as in my own case.

24 So there -- there's a lot of
25 administration involved in it, and it's -- I mean, it's

1 something that we can go back and take another look at if
2 -- if that's what's desired.

3 But in terms of the level of inversion
4 that's happening now and is likely to happen in the
5 future in terms of the cost of trying to maintain a
6 database, in terms of the incentive that rate is going to
7 give to people to self-report as electrically heated, I -
8 - I'm not saying that it's not something that could be
9 done; it's just something that has a lot of problems with
10 it.

11 MR. BOB PETERS: Isn't the time to do it,
12 Mr. Wiens, when the inversion is relatively small as
13 opposed to when it's large?

14

15 (BRIEF PAUSE)

16

17 MR. ROBIN WIENS: I suppose if you were
18 going to do it at all, you might want to consider doing
19 it sooner rather than later.

20 MR. BOB PETERS: And I take from that
21 answer that, at this point, Manitoba Hydro is not
22 considering doing it at all?

23 MR. ROBIN WIENS: Currently, no.

24

25 (BRIEF PAUSE)

1 MR. ROBERT MAYER: Mr. Wiens, I'm having
2 trouble understanding the complexity of the issue. You
3 say you can probably tell from most people by their
4 consumption pattern that they're, for example, not using
5 electric heat for the sole purpose of heating their
6 indoor pool, or their outdoor pool, and that generally
7 you can tell who's using electric heat, which I suspect -
8 - I'm not -- if we had the smart meters I guess we'd know
9 for sure because day to day you could almost tell by the
10 temperature.

11 So I'm trying to determine -- you seem to
12 be afraid of abuse because somebody is not electric heat
13 dependent, but to a certain extent, electric heat
14 capable.

15 You will know what, at least on a monthly
16 basis, what is being used. You will know what months it
17 is being used in. If there is some suspicion, in other
18 words, if somebody -- if something seems erratic, if a
19 cop arrives at your office with a warrant, and they
20 suspect that somebody's growing something in the houses,
21 I'm sure that somebody will go look at that. That's why
22 they came for the warrant.

23 So if there's any suspicion of abuse,
24 which you should have some indication of by the
25 consumption pattern, I'm assuming, it can't be that

1 difficult to check on that, can it?

2 MR. ROBIN WIENS: If you're talking one
3 (1) or two (2), or a dozen or two (2) dozen customers,
4 perhaps not, but if you're talking in the thousands or
5 tens of thousands of customers, it -- it does become an
6 issue.

7 And, you know, the -- the other factor is,
8 if we -- if we don't put inverted rates in place for the
9 single biggest use that could be effected by inverted
10 rates, I -- I'd begin to ask the question of -- of why we
11 would do it at all.

12 We -- certainly where gas is available you
13 would not want to encourage people to go with electric
14 heat, and many cases that's the kind of signal that you
15 would be sending them.

16 So then we're -- then we're left with the
17 situation, and again which we have examined, of trying to
18 code all our residential accounts as to whether gas is
19 available in the area or not, and have a separate rate
20 structure for them, and we did take a look at that, and
21 it looked to be problematic again from the perspective of
22 trying to administer a rate structure.

23 MR. ROBERT MAYER: Mr. Wiens, I don't
24 think any of us are quibbling about inverted rates. The
25 issue is the trigger point for the -- for the rate

1 inversion. You've got 900 kilowatt hours a month, if I
2 recall correctly, as the inversion rate now for everybody
3 who's -- for everybody, period, all residential
4 customers.

5 The suggestion when -- when inverted rates
6 was originally made, and if I recall correctly by the
7 evidence of -- of CA -- sorry, of TREE, RCM/TREE with
8 their expert, if I recall correctly, from -- from
9 Seattle, they had recommended very clearly, if I recall
10 correctly, that there be a separate trigger rate for the
11 inverted block for people who were all electrically
12 heated.

13 There is some difference between -- it
14 should be people who are -- all people who are electric -
15 - all homes that are electrically heated, or those who
16 have no reasonable -- or only those who have no
17 reasonable option. I think that's an arguable point.
18 And since I appear to be the only one in the room who
19 remembers "Live better electrically," maybe there's not
20 that many who got sold on that electric heating.

21 So I think the only issue is those areas
22 where there's no natural gas available, and you know
23 where those are, I am assuming, and now I am wondering,
24 does that -- does that still create a significant
25 enforcement problem for Manitoba Hydro if we eliminate

1 from a higher allowance before you hit the inverted rate,
2 if you eliminate any places where a natural gas option is
3 available.

4 MR. VINCE WARDEN: Mr. Mayer, I -- I
5 think we would run into a complication with uniform
6 rates. We have uniform rates legislation in the
7 province. So if we were trying to reintroduce a form of
8 the zone 1, 2, 3 that we used to have, that would present
9 some difficulties. Not to say that couldn't be overcome,
10 but, nevertheless, under existing legislation that might
11 be problematic.

12 MR. ROBERT MAYER: Last I heard in the
13 uni -- unified rates dealt with geography, not with
14 availability of service. The primary issue that we're
15 talking about here is availability of service. For
16 example, there is natural gas available, I understand, in
17 Swan River; not from you people, but I understand natural
18 gas may be available in Swan River, the Swan Valley.
19 That's something that Hydro would be entitled to look at
20 if the -- if the compe -- if there's a competitive price
21 there.

22 So -- but the unified rate legislation was
23 designed, as I understand it and I think by it's wording,
24 to be geographically based. If I'm incorrect I will --
25 well, I'll check that, it won't take long, but we'll see.

1 We'll -- I guess we're going to have to look into that.
2 It looks like Patti's doing that already.

3

4 (BRIEF PAUSE)

5

6 THE CHAIRPERSON: Perhaps, Mr. Peters,
7 you could put it in the form of asking for an
8 undertaking.

9 MS. MARLA BOYD: Sorry, I -- I popped to
10 the back row for a minute, so I'm not quite sure what --
11 if you're looking for the wording of the uniform rates
12 legislation, I can give that to you at this point. It
13 says:

14 "The rates charged for power supplied
15 to a class of grid customers within the
16 province shall be the same throughout
17 the province."

18 So it -- it is quite specific in terms of
19 covering the entire province. There is an interpretation
20 section that provides that customers should not be
21 classified based solely on the region of province in
22 which they're located or the population density for the
23 area that they live in. So I believe that that would
24 probably cover some of the natural gas issues that Mr.
25 Mayer is concerned about.

1

2 CONTINUED BY MR. BOB PETERS:

3 MR. BOB PETERS: If I might continue on -
4 - on three (3) points, Mr. Wiens, when the Board looks at
5 Tab 59 in the book of documents, page 118, would it be a
6 correct interpretation that those customers who use
7 electricity for heat, if they are low income customers,
8 they're turning down their thermostats lower than what
9 those who are not on -- on low in -- are not low income
10 classified?

11 MR. ROBIN WIENS: They may be turning
12 down their thermostats or they may make sacrifices in
13 other areas. I can't really say what they're doing.

14 MR. BOB PETERS: Well, we can look at the
15 averages, Mr. Wiens, and we see that for those who heat
16 their home electrically they use 25,868 kilowatt hours a
17 year, but those who are in the LICO 100 class, they only
18 use 20,000 kilowatt hours a year.

19 MR. ROBIN WIENS: But that could relate
20 to more than just the temperature. That could relate to
21 the size of the dwelling, as well.

22 MR. BOB PETERS: And we see that
23 consistently through all the other categories, whether
24 there's one (1) person, two (2) persons, three (3)
25 persons or more in the home?

1 MR. ROBERT MAYER: If I were looking at
2 that, Mr. Wiens, wouldn't I be looking at people with --
3 I would suspect a large part of that difference was less
4 use because probably the people in the LICO area aren't
5 driving the kind of cars the rest of us are and aren't
6 plugging them in with a block heater and a -- and an
7 interior car warmer.

8 MR. ROBIN WIENS: That's certainly a
9 possibility, as well.

10

11 CONTINUED BY MR. BOB PETERS:

12 MR. BOB PETERS: Not something that was
13 investigated or checked out when the survey was being
14 done. Would that be fair?

15 MR. ROBIN WIENS: I don't believe so, Mr.
16 Peters, but I wasn't a participant in the survey.

17 MR. BOB PETERS: All right. When we talk
18 about the heating, I appreciate homes need to be heated
19 all day -- day long, but would it be a correct assumption
20 that most of the electric heating occurs during, would it
21 be off peak hours?

22

23 (BRIEF PAUSE)

24

25 MR. VINCE WARDEN: Mr. Peters, I really

1 don't think we can respond to that question. We're
2 making an assumption about customer behaviour that we
3 just don't have the evidence here to support.

4 MR. ROBIN WIENS: Mr. Peters, my
5 understanding is that -- that heating load is greatest
6 during the evening hours prior to eleven o'clock or so
7 and in the morning when people get up. And so some of it
8 -- some of that occurs in the off-peak period and some of
9 it occurs in the on-peak period.

10 MR. BOB PETERS: Just thinking about the
11 issue, Mr. Warden and Mr. Wiens, and maybe Mr. Surminski
12 can help us out here, that there are times when Mr.
13 Surminski's water is being sold for one (1) cent a
14 kilowatt hour in the off-peak times. Isn't that correct?

15 MR. HAROLD SURMINSKI: Yeah, that's
16 correct.

17 MR. BOB PETERS: And so when Manitoba
18 Hydro is exporting its energy at one (1) cent a kilowatt
19 hour and there are Manitobans who want to use it to heat
20 their homes, they're being charged seven (7) cents a
21 kilowatt hour?

22 MR. HAROLD SURMINSKI: Yes.

23 MR. BOB PETERS: Is there any option to
24 consider whether a differentiated rate can be based on
25 the time of use just by the number of hours of the day

1 and prorate accounts based on that information?

2 MR. ROBIN WIENS: Time of use rates are -
3 - are technically possible, but you have to have the
4 infrastructure to be able to support them.

5 MR. BOB PETERS: I wasn't tying it in the
6 truest sense, Mr. Wiens, I apologize. But I'm just
7 indicating that if -- if there's -- the homes are being
8 heated from eleven o'clock at night until 7:00 in the
9 morning, does that support perhaps a -- a larger block of
10 energy or a lower block rate during that period of time
11 as compared to some other just based on a mathematical
12 formula rather than a metered measurement?

13 MR. VINCE WARDEN: Mr. Peters, they --
14 those homes would be heated during those hours in any
15 event. It's not like they're going to crank up their
16 thermostat if we decide -- if we put in time of use
17 rates.

18 MR. BOB PETERS: I understand the point.
19 So -- so what your -- what your bottom line appears to
20 be, Mr. Warden, is that from a -- from a revenue point of
21 view, as long as the all electric customer pays whatever
22 the amount is over the twelve (12) months, rates can be
23 designed to accommodate different preferences, as long as
24 at the end of the day the revenue -- Manitoba Hydro is
25 kept whole on the revenue line?

1 MR. VINCE WARDEN: Well, I just wasn't
2 agreeing with your premise that introducing time of use
3 rates to give electric heat customers the advantage of a
4 lower rate during the off-peak hours is -- is a good one.
5 That is, although the -- the revenue we derive from the
6 export market during those off-peak hours is low, that
7 revenue is still being used to subsidize those
8 residential rates.

9 If we didn't have that, if we -- by -- if
10 we encouraged more use during those off-peak rates it
11 wasn't economic -- it wasn't economic during -- or for
12 the domestic load, then rates would go in the opposite
13 direction to what we would want.

14 MR. BOB PETERS: Under my simplified
15 example, Mr. Warden, even if a homeowner was to use more
16 electricity in the off-peak hours, they'd be paying more
17 than one (1) cent a kilowatt hour, which Manitoba Hydro
18 is getting for that same energy on the export market.

19 MR. VINCE WARDEN: But under your
20 example, Mr. Peters, I -- I -- and we certainly have been
21 looking at time of use rates to determine whether there
22 is value to Manitoba Hydro. I just am having difficulty
23 following the logic with respect to electric heat
24 customers using more energy during off peak hours.

25 MR. BOB PETERS: Manitoba Hydro has

1 considered, at least on a preliminary basis, seasonal
2 rate proposals, and I was referring to a -- an RCM/TREE
3 Manitoba Hydro Information Request First Round 8F. I
4 don't know if you need to turn it up, but in terms of --

5 MR. ROBIN WIENS: Yes, we -- we have --
6 we have on occasions in the past looked at the
7 possibility of seasonal rate proposal.

8 MR. BOB PETERS: But the object, Mr.
9 Wiens, is to recover the same dollar amount of revenues
10 from the all electric customer, but over twelve (12)
11 months with perhaps some smoothing in the winter months.
12 Isn't that where Hydro was at on that point?

13 MR. ROBIN WIENS: I -- I'm not sure that
14 when we -- I -- I would have to go back and refresh
15 myself, my memory on this, Mr. Peters. I think that we
16 were probably looking at being revenue neutral with
17 respect to the whole residential class, not the -- not
18 the electric heat customer separately, but I'd have to
19 refresh my memory on that.

20 MR. BOB PETERS: Whatever is being
21 considered though, Mr. Wiens, it would be revenue neutral
22 to the other rate payers?

23 MR. ROBIN WIENS: It would be revenue
24 neutral to the rev -- the residential class.

25 MR. BOB PETERS: All right. So there may

1 be some intraclass subsidy?

2 MR. ROBIN WIENS: That is possible. I --
3 again, I'd have to refresh my memory on this, Mr. Peters.
4 We definitely did look at the possibility of a -- of a
5 seasonal rate structure for the residential customer
6 class with -- and this would affect everybody. It would
7 -- it would spare us the difficulty of trying to
8 administer separate rates depending on end use where
9 there was a higher -- larger first block in the winter.
10 We -- we've looked at that and I believe it was on a
11 revenue neutral basis within the class.

12 You know, just -- just to add to this
13 discussion, Mr. Peters, and it's -- it's -- it's nothing
14 new, but you'll recall that our cost of service
15 methodology does, in fact, not for a heating subgroup but
16 for all of the classes individually, it does reflect the
17 -- it does reflect their time of use utilization.

18 So to the extent that residential
19 customers have a larger off-peak usage because of heat or
20 for whatever other reason, that would be reflected in the
21 allocation of costs in the Cost of Service Study.

22 MR. BOB PETERS: Is the ultimate answer,
23 Mr. Wiens, Mr. Warden, that Hydro's not prepared to
24 reduce the overall annual energy bill for those who use
25 electricity, but at best there could be options to smooth

1 out the monthly payments much like the equal payment
2 option provides?

3

4

(BRIEF PAUSE)

5

6 MR. VINCE WARDEN: Well, customers have
7 that option today, Mr. Peters, to use -- to avail
8 themselves of the equal payment plan. So the smoothing
9 can be accomplished with what we have in place today.

10 MR. ROBERT MAYER: That -- that doesn't
11 solve the problem we're talking about, which we are
12 talking about.

13

14 CONTINUED BY MR. BOB PETERS:

15 MR. BOB PETERS: And -- and even if there
16 are -- but even if there are seasonally adjusted rates
17 where there's different sizes of energy blocks, Manitoba
18 Hydro would seek to recover the same amount of revenue
19 from the same number of customers, but just over a
20 different time period?

21 MR. VINCE WARDEN: You're referring to
22 the -- to the residential class overall, Mr. Peters, and
23 I think that --

24 MR. BOB PETERS: I am.

25 MR. VINCE WARDEN: -- that's fair, yes.

1 We would -- we would still be looking to -- for a -- an
2 RCC that approaches unity, yes.

3 MR. BOB PETERS: And so that means that
4 short of there being intraclass cross-subsidization of --
5 of the non-electric heaters to those who use electric
6 heaters, Manitoba Hydro doesn't see a solution to the --
7 to the problem of those who use electricity for heat with
8 the current energy block sizes?

9 MR. VINCE WARDEN: Well, it's not that we
10 don't see a solution. We don't see a major problem with
11 this Application that's before the Board because of the
12 modest inversion of the second block.

13 As we go forward though, there -- there
14 may very well have to be some seasonal consideration
15 given to --to electric heat customers. In fact, I would
16 expect there would be, but that isn't part of this Rate
17 Application.

18 MR. BOB PETERS: Does Manitoba Hydro
19 consider that the cost of electric heating should in some
20 way be made comparable to heating with natural gas?

21 MR. VINCE WARDEN: No.

22 MR. BOB PETERS: Remind the Board, Mr.
23 Warden, as to when natural gas heating was more expensive
24 than electricity heating.

25 MR. VINCE WARDEN: Well, I think there

1 was a very brief period of time when gas prices spiked up
2 into the -- I'm thinking approximately ten dollar (\$10) -
3 - ten (10), eleven dollar (\$11) per gigajoule. There was
4 a period of time there where it might have come very
5 close. The rates were very close, heating gas versus
6 elect -- electricity. That's my recollection at this
7 time.

8 MR. BOB PETERS: Mr. Wiens, you've told
9 the Board that Manitoba Hydro had con -- considered the
10 seasonal rate issue more full -- more wholly or in more
11 detail in -- in previous years.

12 Did I understand that correctly?

13 MR. ROBIN WIENS: We -- we certainly
14 looked at it back in the mid '90s. I believe that was
15 more for non-residential customers than for residential
16 customers.

17 It -- it is an option that we have
18 investigated more recently, simply an option whereby you
19 would have a larger -- somewhat akin to what Ontario
20 Hydro One does where they have an inverted rate structure
21 and fewer kilowatt hours in the first block in the summer
22 than there are in the winter.

23 And we have -- we have taken a look at
24 that and what the implications of that would be if we
25 were to price that way, and what the changes in block

1 prices would have to be over a period of time. So, yeah,
2 we did -- we did take a look.

3 MR. BOB PETERS: What year was that in
4 your memory, Mr. Wiens?

5 MR. ROBIN WIENS: It was within the last
6 three (3) years or so.

7 MR. BOB PETERS: Would Manitoba Hydro
8 undertake to file that report in -- in the form that's --
9 that it's available to -- for this Board to review, and
10 consider further on this -- on this issue?

11

12 (BRIEF PAUSE)

13

14 MR. VINCE WARDEN: Mr. Peters, that was
15 very much in the form of options, study of options, and
16 was never in the form of a report that would be
17 presentable to bring forward to this Board.

18 MR. BOB PETERS: All right, thank you.

19 Mr. Chairman, at long last I'm wanting to
20 thank the panel for responding to the questions that I've
21 posed over the last number of days.

22 And subject to any questions that might
23 arise from the undertaking responses that have most
24 recently been filed, and I know there's a number that are
25 still to be filed, I would like to thank Mr. Warden, Mr.

1 Cormie, and Mr. Surminski, Mr. Rainkie, Mr. Schulz, I
2 believe who was also a witness, Mr. Kuczek, and Mr. Wiens
3 for their answers.

4 Thank also counsel for Manitoba Hydro for
5 their cooperation throughout, and certainly thank counsel
6 opposite in the hearing room for their courtesies
7 extended this way. I appreciate that. Thank you, sir.

8 THE CHAIRPERSON: And thank you, too, Mr.
9 Peters. I was just reflecting on Mr. Warden's remark,
10 and I too remember a brief period in time in which
11 natural gas, I think, had spiked in fact to fourteen (14)
12 or fifteen dollars (\$15) a gigajoule after Rita and
13 Katrina struck, and I do recall some concerns at that
14 point in time about demand issues of the natural gas
15 price state in that area.

16 But thank you for your cross-examination.
17 I think we'll adjourn and begin again tomorrow at 9:30.
18 And if I recall properly, we'll be moving to Mr.
19 Williams, correct?

20 MR. BOB PETERS: Yes, sir.

21 MR. BYRON WILLIAMS: Yes, Mis -- Mr.
22 Chairman, and good afternoon. I do have a couple of
23 exhibits if it would facilitate things to distribute them
24 in -- now than in the -- the morning. Otherwise, I'm --
25 I'm -- it doesn't matter.

1 THE CHAIRPERSON: It sounds sensible to
2 distribute the exhibits if you've got them.

3 MR. BYRON WILLIAMS: Okay. And we'll --
4 I'll -- I'll make sure it's sensible by checking with
5 counsel for Manitoba Hydro. But first of all, there's a
6 minor -- there is a book of exhibits which is nicely
7 bound and -- and tagged, and we've shared this with
8 Manitoba Hydro over the past day. They've been courteous
9 enough to review it quickly.

10 And my understanding from my learned
11 friend, Ms. Boyd, is that while there may be some
12 quibbles about some of the numbers, they're prepared to
13 have it admitted. And if there are any material changes,
14 they'll -- or concerns, they'll bring it to us -- to our
15 attention as we go through them.

16 Is that fair, Ms. Boyd?

17 MS. MARLA BOYD: Yes, it is. Thank you.

18 THE CHAIRPERSON: Do you --

19 MR. BYRON WILLIAMS: I -- I'd suggest
20 that be marked as CAC-14.

21 THE CHAIRPERSON: Subject to check,
22 that's fine.

23

24 --- EXHIBIT NO. CAC/MSOS-14: Book of exhibits

25

1 MR. BYRON WILLIAMS: And with the kind
2 assistance of Board staff, I kind of dumped something on
3 them at the last moment, there are some references from
4 the -- from the record that will -- I would also ask Mr.
5 Singh to distribute if he hasn't already, and that would
6 be CAC/MSOS-15. We may be short some copies, so I'm
7 going to hold off on that for...

8 THE CHAIRPERSON: We'll do that in the
9 morning then.

10 MR. BYRON WILLIAMS: Okay.

11 THE CHAIRPERSON: We'll stand adjourned
12 for now. Thank you.

13

14 (PANEL RETIRES)

15

16 --- Upon adjourning at 4:08 p.m.

17

18 Certified Correct

19

20

21

22

23 _____
Cheryl Lavigne, Ms.

24

25