



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA HYDRO
GENERAL RATE APPLICATION
2014/15 AND 2015/16

Before Board Panel:

Regis Gosselin	- Board Chairperson
Marilyn Kapitany	- Board Member
Richard Bel	- Board Member
Hugh Grant	- Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
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Pages 3641 to 3762

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1 --- Upon commencing at 9:00 a.m.

2

3 THE CHAIRPERSON: Good morning. I
4 believe that we're in a position to commence today's
5 proceedings. So without further ado, I'll ask Ms. Van
6 Iderstine to take over. Thank you.

7 MS. HELGA VAN IDERSTINE: So, yes, we
8 have a few housekeeping issues to deal with, some of
9 which I think will resolve some of the concerns that
10 were raised by email last night about undertakings and
11 when they might be available. So the first thing I'd
12 like to do is file ten (10) undertakings this morning.

13 There are -- there were, prior to my
14 filing this, we believe, thirty-nine (39) undertakings,
15 which included three (3) informal undertakings, which
16 were still outstanding. With the filing of these ten
17 (10), that brings us down to twenty-nine (29).

18 In addition to those ones that I'm
19 filing this morning, we anticipate filing probably
20 around another up to six (6) later today. I say -- I'm
21 hesitating. Up to six (6) because my impression is, is
22 that there may be a few more than that that will get
23 filed today, maybe a few less, but we think that we're
24 at about six (6).

25 So -- and that -- of the ones I'm filing

1 today, five (5) of them relate to MIPUG's concerns. I
2 know there's a conversation with Mr. Orle about one (1)
3 of the ones that he was concerned about. We believe
4 that one will be filed as well later today, or
5 certainly in the next short whi -- the next little
6 while, and so that will bring us down considerably.

7 You should know as well, or I would like
8 to advise the panel, that of the thirty-nine (39) that
9 were outstanding before I filed these, twenty-six (26)
10 of those were given by the load and rates, or DSM
11 panel, between last Friday and early this week. So the
12 panels have been working pretty hard on getting them
13 done in a timely way, so.

14 And a number of the undertakings that
15 remain outstanding are ones which this panel needs to
16 review and look at before they can file them. So they
17 can't do two (2) things at once, as you can appreciate,
18 but we are working hard to get it done.

19 THE CHAIRPERSON: You said twenty-six
20 (26) for DSM and --

21 MS. HELGA VAN IDERSTINE: Twenty-six
22 (26) of them were given by the load, rate -- rates, DSM
23 panel between last Friday and early this week.

24 THE CHAIRPERSON: Okay. Thank you.

25 MS. HELGA VAN IDERSTINE: Just to give

1 you some understanding of where we're at. So with
2 that, there are -- I'd like to file the following. And
3 I think they've been circulated. So Manitoba Hydro
4 Undertaking number 40, which was Manitoba Hydro -- was
5 to provide dates that the three (3) bids were submitted
6 related to the Bipole III.

7

8 --- EXHIBIT NO. MH-86: Response to Undertaking 40

9

10 MS. HELGA VAN IDERSTINE: Manitoba
11 Hydro Undertaking number 41. Manitoba Hydro was to
12 look at the records to determine the first date on
13 which executive was advised that LLC was a technology
14 that would have to be used for Bipole III.

15 And I should have -- before running
16 through this so quickly, I should have said the first
17 one, Undertaking number 40, would be Manitoba Hydro
18 Exhibit number 86, if that's okay, and the second one,
19 which was Undertaking number 41, will be Manitoba Hydro
20 Exhibit 87, if that's okay.

21

22 --- EXHIBIT NO. MH-87: Response to Undertaking 41

23

24 MS. HELGA VAN IDERSTINE: The third one
25 we're filing today -- right now is Manitoba Hydro

1 informal Undertaking number 6. Manitoba Hydro was to
2 provide a sensitivity analysis considering the impact
3 of increase pipeline load. And that will be Manitoba
4 Hydro Exhibit number 88.

5

6 --- EXHIBIT NO. MH-88: Response to informal
7 Undertaking 6

8

9 MS. HELGA VAN IDERSTINE: We're filing
10 Manitoba Hydro Undertaking number 5. It was --
11 Manitoba Hydro was to provide a document that explains
12 their service extension policies related to an -- to
13 new customers connecting to their system, and provide
14 some specific examples provided the customer can't be
15 determined from that information.

16 And that is Manitoba Hyd -- will be
17 Manitoba Hydro Exhibit number 89.

18

19 --- EXHIBIT NO. MH-89: Response to Undertaking 5

20

21 MS. HELGA VAN IDERSTINE: Manitoba
22 Hydro Undertaking number 18 was Manitoba Hydro was to
23 provide a written explanation as to why the costs of --
24 I can't pronounce this because I haven't come across it
25 yet -- Keewatinohk converter station increased and Riel

1 converter station.

2 And that will be filed as Manitoba Hydro
3 Exhibit number 90.

4

5 --- EXHIBIT NO. MH-90: Response to Undertaking 18

6

7 MS. HELGA VAN IDERSTINE: Manitoba
8 Hydro Undertaking number 30. Manitoba Hydro to provide
9 what the contingency was for the Keeyask cofferdam.
10 That is -- will be -- has been answered in Man -- will
11 be Manitoba Hydro Exhibit number 91.

12

13 --- EXHIBIT NO. MH-91: Response to Undertaking 30

14

15 MS. HELGA VAN IDERSTINE: Manitoba
16 Hydro Undertaking number 46. Manitoba Hydro to make
17 best efforts to advise if Manitoba Hydro had a position
18 on the Board's 3 percent discount rate in the NFAT
19 final report.

20 This has been answered and will be filed
21 as Manitoba Hydro Exhibit number 92.

22

23 --- EXHIBIT NO. MH-92: Response to Undertaking 46

24

25 MS. HELGA VAN IDERSTINE: Manitoba

1 Hydro Undertaking number 60, which was Manitoba Hydro
2 to provide the equivalent EFTs involved with DSM. This
3 has been answered and Manitoba -- will be Manitoba
4 Hydro Exhibit number 93.

5

6 --- EXHIBIT NO. MH-93: Response to Undertaking 60

7

8 MS. HELGA VAN IDERSTINE: Manitoba
9 Hydro number -- Undertaking number 65. Manitoba Hydro
10 to provide the split between urban and rural for the
11 target population of one hundred and fifteen thousand
12 (115,000), and if the figures are readily available,
13 First Nations on reserve.

14 And to provide a breakdown of those two
15 (2) additional populations relating to poor to fair
16 insulation, as well as standard furnaces on an urban
17 and rural breakdown and First Nation on reserve, if
18 readily avai -- accessible.

19 That's been answered and will be
20 Manitoba Hydro Exhibit number 94.

21

22 --- EXHIBIT NO. MH-94: Response to Undertaking 65

23

24 MS. HELGA VAN IDERSTINE: Manitoba
25 Hydro Undertaking number 67. Manitoba Hydro to verify

1 if they currently offer electronic thermostats to
2 participants who have electric furnaces. And that will
3 be Manitoba -- has been answered and will be Manitoba
4 Hydro Exhibit number 95.

5

6 --- EXHIBIT NO. MH-95: Response to Undertaking 67

7

8 MS. HELGA VAN IDERSTINE: So I think
9 that takes care of this morning's undertakings. And as
10 I said, there will -- we expect there will be a few
11 more. So hopefully before we complete the day's
12 evidence, we'll have a few more to file. If not,
13 they'll be filed later this afternoon or over the
14 weekend.

15 Of that, as I said, I think MIPUG's got
16 four (4) remaining; GAC may have three (3); Coalition,
17 six (6); MKO may have two (2), but I stand to be
18 corrected on that; MMF, there may be -- there were five
19 (5); and PUB, there are eleven (11).

20 So that takes care of that for now.

21 Thank you.

22 THE CHAIRPERSON: I'm looking at
23 Undertaking number 65 which deals with data that had
24 been requested, I believe, by Mr. Orle, regarding First
25 Nations on reserves. Is that data just not in a form

1 that can be readily extracted, or is it just not
2 available at all? Could -- or just --

3 MS. HELGA VAN IDERSTINE: Which
4 undertaking?

5 THE CHAIRPERSON: Sixty-five (65). Are
6 you in a position to answer that --

7 MR. BYRON WILLIAMS: Exhibit 94.

8 MS. HELGA VAN IDERSTINE: Oh, thank
9 you.

10

11 (BRIEF PAUSE)

12

13 MS. HELGA VAN IDERSTINE: So just to be
14 clear, Mr. Chair, your question was whether that -- it
15 -- that's it's not -- not readily available, as -- as
16 is stated. So my impression certainly is that it's not
17 readily available. We can make -- I can -- we'll
18 certainly look into that further if there's -- to see
19 that explanation if you need to, but I don't believe
20 it's available.

21 THE CHAIRPERSON: No, I -- you know, I
22 -- just -- there are two (2) new Intervenors here, MMF
23 and MKO that have been involved in a long time, but Mr.
24 Orle is new to this process. I'm just concerned that -
25 - that this is the kind of information that are needed

1 by Mr. Orle and -- and Mr. Masi. And -- and I'm
2 wondering out loud whether or not this is something we
3 can address for future rate applications.

4 I mean, it -- it's clear to me that, for
5 both Mr. Masi and Mr. Orle to do an effective job here,
6 that they will need to have better data than we're
7 getting. And so in the interest of -- of, say,
8 improving the process for the next rate application,
9 that there be discussions between Manitoba Hydro and --
10 and MKO and MMF to make sure that -- that this data are
11 -- the data they need to do an effective job is
12 generated through the Manitoba Hydro system.

13 MS. HELGA VAN IDERSTINE: I think the
14 Chair's got a very useful suggestion and Manitoba Hydro
15 will have those discussions with them in the interim so
16 that the time that -- of the panel and the time of the
17 -- the staff are not utilized during the hearing to
18 look for the information, and perhaps it can be
19 available prior to so they have a chance to access it,
20 or if they've got questions they can address them
21 earlier.

22 THE CHAIRPERSON: Thank you for that.

23 MR. BYRON WILLIAMS: So, Mr. Chair, if
24 I could speak to that point as well. I think this was
25 actually an undertaking for our client. And our client

1 would certainly -- it's -- these issues have been a --
2 a longstanding concern for our client as well, so
3 they'd certainly like to be involved if there's any
4 offline discussions.

5 THE CHAIRPERSON: And I think that's a
6 -- a great idea. So any discussions that the parties
7 might have to address the data elements that they would
8 need in order to provide effective interventions, I
9 think, would be worthwhile having.

10 And I think it would probably lighten
11 the load -- I'm optimistic it would lighten the load
12 for the Manitoba Hydro staff that are called to -- to
13 make these undertakings in the midst of these
14 proceedings.

15 MR. TOMAS MASI: Mr. Chair, I'd just
16 like to make an additional point. We are going to take
17 the opportunity in our closing remarks to also point
18 out some data gaps that may be missing for -- that
19 would be helpful for our client for future proceedings.
20 And certainly the offline discussions, as well, I think
21 would be very helpful that you -- that you mentioned as
22 well. Thank you.

23 THE CHAIRPERSON: Thank you for that.
24 So I believe that we can ask Mr. Williams please to
25 start your cross-examination.

1 MR. ANTOINE HACAULT: Mr. Chairman and
2 members of the Board, we thank Manitoba Hydro very much
3 for having answered some of the undertakings. I'd just
4 like, depending on whether or not we get the balance of
5 them today, just to raise a question as to having some
6 direction from the Board as to how to best be able to
7 deal with information that only comes in after we've
8 prepared our submissions, because, quite frankly, my
9 weekend is not going to be spent at the lake with my
10 family.

11 But if I only get the information on --
12 on Monday or Tuesday, when Monday we're presenting our
13 evidence, so if -- I'm just asking the Board if it can
14 consider whether there might be some kind of mechanism
15 for us to react to undertakings if they come in after
16 we're able to do our work on that.

17 And the last thing -- and -- is just
18 with respect to my concern about perhaps the quality of
19 our presentation. In the past, as the Board knows,
20 we've tried to do issue briefs with all the relevant
21 evidence attached to each position that we had. We'll
22 be able to do some of that on the weekend, but by the
23 very nature of the fact that our evidence is only
24 presented on Monday, it's going to pose a challenge for
25 us to do a -- a complete submission for this Board by

1 Wednesday.

2 And -- and that's -- it's really up to
3 the Board if there's some direction that the Board
4 wants to give to deal with that issue, or if it will be
5 satisfied with what we're able to put together and
6 proceed that way. It's really up to the Board to
7 decide how it wants to deal with that time crunch
8 issue. Thank you.

9 THE CHAIRPERSON: We will consider that
10 issue before the end of the day and give you a
11 response. Thank you. Mr. Williams, please.

12

13 MANITOBA HYDRO PANEL 7 - DEPRECIATION RESUMED:

14 DARREN RAINKIE, Previously Sworn

15 SANDY BAUERLEIN, Previously Sworn

16 MICHELLE HOOPER, Previously Sworn

17 LARRY KENNEDY, Previously Sworn

18

19 CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

20 MR. BYRON WILLIAMS: Good morning,
21 members of the panel and members of the -- the Hydro
22 team. Perhaps if Diana can turn us to Appendix 5.6,
23 page 13 please? Tab -- not attachment 2, Diana. Page
24 13 of 14.

25

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: Yes, and page 13
4 of 14. And scroll up to -- yeah, to distribution.
5 That's perfect.

6 Mr. Kennedy, under distribution, four
7 (4) lines down, you see a -- a reference to a poles and
8 -- and fixtures with an expected service life of sixty-
9 five (65) years, agreed?

10 MR. LARRY KENNEDY: I do.

11 MR. BYRON WILLIAMS: And that estimate
12 was based upon your 2014 depreciation study, correct?

13 MR. LARRY KENNEDY: That's correct.

14 MR. BYRON WILLIAMS: And the -- the
15 figure of sixty-four (64) -- excuse me, sixty-five
16 (65), is a revision or a change from the 2010
17 depreciation study, which had an expected service life
18 of fifty-five (55) years, agreed?

19 MR. LARRY KENNEDY: You're going to
20 test my memory, but I think that's correct. Yes. I'll
21 take it subject to check, sir, because I --

22 MR. BYRON WILLIAMS: Yeah, and if
23 you're looking for a reference, you could look in PUB-
24 II-23, page -- I believe 3.

25 MR. LARRY KENNEDY: Yeah. And again,

1 it's -- I think that's correct.

2 MR. BYRON WILLIAMS: And in the 2005
3 depreciation study you'll accept, subject to check, the
4 expected service life for poles and fixtures was around
5 thirty-one (31) years, sir?

6 MR. LARRY KENNEDY: That's correct.

7 MR. BYRON WILLIAMS: And without asking
8 you to elaborate, I'll ask you to confirm that the
9 basis for the decision to increase the expected service
10 life with operational data from Manitoba Hydro
11 indicating that wood poles were lasting longer than
12 expected, correct?

13 MR. LARRY KENNEDY: I think it was a --
14 a variety of things, but that was definitely part of
15 it. The -- the Company had, over the period of 2006
16 through to our 2010 study, undertaken a -- an
17 inventorying of the -- of the wood poles they had and
18 some information regarding those poles. And then that
19 was completed, if you will, in the period from 2010
20 through 2014.

21 That and -- and I would suggest that the
22 -- we're seeing a lengthening of these type of assets -
23 - of distribution assets in the electric industry as a
24 whole as well. So this may -- thirty-one (31) to
25 sixty-five (65) over a ten (10) year period in two (2)

1 studies is -- is maybe more than we would see. But
2 extensions like fifty-five (55) to sixty-five (65) are
3 -- are becoming pretty normal in the proceedings we've
4 seen, though.

5 MR. BYRON WILLIAMS: Yeah, and I thank
6 you for that answer.

7 And you were certainly -- your firm was
8 certainly advised that one (1) of the reasons that
9 poles were lasting longer is because of Manitoba
10 Hydro's various pole maintenance programs, agreed, sir?

11 MR. LARRY KENNEDY: Yes, we talked with
12 the operations staff in terms of what they're doing for
13 pole maintenance and -- and the effects that's having
14 on the life estimates. Yes.

15 MR. BYRON WILLIAMS: And if I could
16 just ask Diana now to scroll up on the page to
17 transmission?

18 And, sir, going to the third line under
19 transmission, you'll see for poles and fixtures there,
20 there's an expected service life of fifty-five (55)
21 years, agreed?

22 MR. LARRY KENNEDY: Agreed.

23 MR. BYRON WILLIAMS: And, sir, I'm --
24 I'm expecting that you and your team were made aware by
25 Manitoba Hydro by their transmission folks that they

1 had had the August firm of Kinectrics look at the
2 health of their assets in 2012?

3 MR. LARRY KENNEDY: I was aware there
4 was a health re -- condition report done on them. I'm
5 not sure if I think it was Kinectrics or not, but...

6 MR. BYRON WILLIAMS: Okay. And -- and
7 certainly Ms. Hooper's here if -- if you need someone
8 to help you. But I wonder, Diana, if you can turn to
9 the Kinectrics report, being Coalition Exhi --
10 Information Request II-53, page 16 of 72. And go down
11 to number 4, please, Diana.

12 And, sir, you'll accept this as an
13 excerpt from the Kinectrics report?

14 MR. LARRY KENNEDY: I'll accept it,
15 subject to check, that...

16 MR. BYRON WILLIAMS: And you see
17 Kinectrics telling Manitoba Hydro here that almost all
18 the wood poles in transmission are in good or very good
19 condition. Do you see that reference, sir?

20 MR. LARRY KENNEDY: I see the
21 reference.

22 MR. BYRON WILLIAMS: And also that the
23 pole treatment appears to be effective because they're
24 -- the -- these assets are living longer than typical
25 lives, agreed?

1 MR. LARRY KENNEDY: I see that
2 statement, sir.

3 MR. BYRON WILLIAMS: Okay. And again,
4 you see Kinectrics pointing with respect to
5 transmission to effective pole treatment as a
6 contributing factor that -- to the health to the
7 transmission poles, agreed?

8 MR. LARRY KENNEDY: To the poles? Yes.

9 MR. BYRON WILLIAMS: Diana, I wonder if
10 you can turn to Appendix 4.2 of the application, page
11 38, please.

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: And here you see,
16 Mr. Kennedy, I'll suggest to you an excerpt from
17 Manitoba Hydro's filing with regard to transmission
18 system wood poles suggesting an expected life of
19 seventy-five (75) years based upon 2012 study.

20

21 Do you see that, sir?

22 MR. LARRY KENNEDY: I do, sir.

23 MR. BYRON WILLIAMS: And, Diana, just
24 one (1) more reference on -- on this line. If you can
25 pull up the transcript page 1,326. Maybe go to 1,325

1 for a second first just at the bottom of that page.

2 That's from May 29th, Diana.

3 So if we scroll up, here's -- you'll see
4 Mr. Williams asking a poor question. And then you'll
5 get to Ms. Board member Kapitany asking a better
6 question. And we could perhaps scroll to the other --
7 other -- to the next page. Right there's perfect.

8 And, Mr. Kennedy, I'll suggest that what
9 you're seeing here is Ms. Kapitany struggling because
10 she's seen a description of transmission poles, saying
11 they're in -- in pretty darn good shape, and then
12 asking to reconcile that with the information she's
13 getting from the distribution side.

14 And I'll draw your attention to lines 12
15 to 14 -- 11 to 14. And I'll suggest to you what you
16 see there is a statement by Mr. Morin saying that
17 transmission poles usually have a longer life cycle.

18 Do you see that reference, sir?

19 MR. LARRY KENNEDY: I do. Now, sir, I
20 think it's important to understand that the -- the
21 actual physical wear and tear of a pole is only one (1)
22 -- one (1) function of a force of retirement that would
23 cause -- cause a retirement. There's economic
24 conditions. There could be things like highway moves
25 that cause towers to move and poles to move. There's

1 third-party strikes. There's lightning strikes.
2 There's storm activity, all of which will cause what we
3 refer to in -- in our industry as interim retirement
4 activity, in other words, retirement activity that were
5 to occur before the -- the expended end-of-life due to
6 wear and tear conditions.

7 MR. BYRON WILLIAMS: Fair enough, sir.
8 You mentioned that you were vaguely aware of this
9 Kinectrics report. And in the preparation of your --
10 your distribution -- or excuse me, your depreciation
11 study, would -- would you have examined it in -- in
12 terms of insight for the -- for the 2014 depreciation
13 study?

14 MR. LARRY KENNEDY: I -- I did not go
15 through the Kinectrics report. I did go through the
16 company's health equipment report.

17 MR. BYRON WILLIAMS: Okay. And so here
18 you have, sir, you'll accept, a suggestion on the
19 distribution -- excuse me, on the depreciation study of
20 an expected service life for distribution that is
21 longer than for transmission, and yet we have the --
22 the folks with their feet on the ground saying that
23 indeed it's the opposite, with transmission having a
24 longer lifestyle -- cycle?

25 MR. LARRY KENNEDY: From a physical

1 life standpoint. I'm -- I'm not sure the operations
2 folks are considering the -- the economic factors or
3 the potential for economic retirements, capacity
4 retirements, that type thing.

5 MR. BYRON WILLIAMS: Okay. Now, sir --

6 MS. MICHELLE HOOPER: If I could just
7 add to that? Ano -- another factor that's imp --
8 impacting the differences in lives between transmission
9 and distribution poles is the fact that the cross
10 members on transmission poles are very much more
11 substantial than on distribution poles, so they're a
12 greater proportion of the asset base.

13 MR. BYRON WILLIAMS: And in terms of
14 the -- are you referring to spars, S-P-A-R?

15 MS. MICHELLE HOOPER: Spar arms, cross-
16 arms.

17 MR. BYRON WILLIAMS: And you'll agree
18 with me that the assessment by Kinectrics in terms of
19 the health of spar arms was equally laudatory, agreed?

20 MS. MICHELLE HOOPER: According to the
21 -- the -- what you -- the reference you provided from
22 Kinectrics, yes. They're looking at the existing asset
23 base. Excuse me. It's our understanding from our line
24 staff that we've interviewed that there have been
25 ongoing replacement programs with respect to cross arms

1 and spar arms, and they're not expected generally to
2 last the full length of life of pole.

3 So there is a -- a shorter-lived
4 component part -- part of those poles that is not
5 reflected in the seventy-five (75) year life --
6 expected life of a pole generally.

7 MR. BYRON WILLIAMS: And on the
8 distribution side, you would -- okay, I understand your
9 point. Now, Mr. -- if -- if we could go to Appendix
10 5.6, page 13 again, and down under 'distribution'?
11 And, Mr. Kennedy, you'll see overhead conductors and
12 devices at sixty (60) years.

13 Do you see that reference, sir?

14 MR. LARRY KENNEDY: I do.

15 MR. BYRON WILLIAMS: And if you were
16 going to go ask Manitoba Hydro staff for their expected
17 life expectancy on the asset side for overhead
18 conductors, they'd tell you it was a -- one hundred
19 (100) years, agreed?

20 MR. LARRY KENNEDY: And I -- I would
21 assume they'd tell me something longer than sixty (60).
22 I can't remember if they would tell me a hundred years.
23 And I think there are -- we could pull up their asset
24 condition report and then look up what the --

25 MR. BYRON WILLIAMS: If we could go to

1 Appendix 4.2, page 66?

2

3

(BRIEF PAUSE)

4

5

MR. BYRON WILLIAMS: That's
6 transformers. We're looking for conductors. So what
7 page is this? Is it the page bef -- go one (1) page
8 before, Diana, please.

9

10

(BRIEF PAUSE)

11

12

MR. BYRON WILLIAMS: There we go. Do
13 you see that reference, sir?

14

MR. LARRY KENNEDY: I do.

15

MR. BYRON WILLIAMS: Now, if -- if I
16 could ask Diana to pull up an excerpt from Coalition
17 Exhibit 16, which includes the 2012 distribution asset
18 condition report, and page 131, please, Diana.

19

20

(BRIEF PAUSE)

21

22

MR. BYRON WILLIAMS: So here you have -
23 - just above one point four-three (1.43) replacement
24 rates, you have a couple of lines suggesting that --
25 first of all, you'll see the suggestion by the Hydro

1 internal folks that pole line age is not necessarily
2 indicative of the conductor age.

3 Do you see that, Mr. Kennedy?

4 MR. LARRY KENNEDY: Okay. Now, I'm
5 just -- I -- I'm just finding it here, now.

6 MR. BYRON WILLIAMS: So the third line,
7 you'll see that.

8 MR. LARRY KENNEDY: Yes, I do see that
9 now.

10 MR. BYRON WILLIAMS: Okay. And you'll
11 also see a suggestion that conductors are anticipated
12 to last well beyond the lifespan of typical wood pole
13 lines.

14 Do you see that reference?

15 MR. LARRY KENNEDY: I see that
16 reference and I also see the next sentence that they
17 are anticipated to become increasingly prone to failure
18 as they age.

19 MR. BYRON WILLIAMS: Yeah, and -- and,
20 sir, what you've got in terms of your depreciation is -
21 - is pole lines with a longer expected service life
22 than conductors, right?

23 MR. LARRY KENNEDY: Yes.

24 MR. BYRON WILLIAMS: Okay.

25 MR. LARRY KENNEDY: And again, these --

1 sir, these are based purely on physical conditions.
2 They're not taking into account a, you know, capacity
3 issues, not taking into account other factors of --
4 things like highway moves, or other forces of
5 retirement.

6 This is purely from a -- how long an
7 asset would live absent any other force of retirement.

8 MR. BYRON WILLIAMS: Sir, it's your
9 understanding that overhead conductors are run to fail
10 at Manitoba Hydro?

11 MR. LARRY KENNEDY: I'm sorry?

12 MR. BYRON WILLIAMS: They're run to
13 fail?

14 MR. LARRY KENNEDY: Yes, but, I mean,
15 that also -- if -- if they get -- we move due to
16 capacity, that's -- that's another issue, too.

17 MR. BYRON WILLIAMS: In terms of your
18 2010 depreciation study with regard to conductors, it
19 would be correct to say that you -- you simulated the
20 vintages for overhead conductors?

21 MR. LARRY KENNEDY: Yeah, I'm checking
22 with Ms. Hooper because we -- in the 2010 study some
23 accounts were simulated and some weren't and Ms. Hooper
24 tells me that was one of the ones that was simulated.
25 Yes.

1 MR. BYRON WILLIAMS: Was simulated.
2 And when we use the word 'simulated' by that you mean
3 they were statistically derived, sir?

4 MR. LARRY KENNEDY: The -- the data was
5 actual data, but the -- the age of the retirements --
6 you remember yesterday I spoke to the fact that a
7 retirement transaction includes its install year and
8 its transaction year. We would have known the
9 transaction year of the retirements, but we didn't --
10 on those transactions we simulated the install year.

11 MR. BYRON WILLIAMS: Ms. Hooper, is
12 there anything you want to add on that?

13 MS. MICHELLE HOOPER: That -- that
14 would be true for the distribution conductor, but not
15 for a transmission conductor.

16 MR. BYRON WILLIAMS: Now, in the 2014
17 depreciation study, sir, you went from simulating
18 vintage to a new vintage estimate for con -- overhead
19 conductors for distribution.

20 Is that right?

21 MR. LARRY KENNEDY: We went from the
22 simulated estimate to the -- to the -- to a new number
23 that we view as being the -- the very strong estimate
24 or actual estimate or actual install year.

25 MR. BYRON WILLIAMS: So it was a

1 vintage estimate, sir. Directing your attention to --
2 to PUB-II-23(a) and (b)?

3

4 (BRIEF PAUSE)

5

6 MR. BYRON WILLIAMS: And page 2 of 11,
7 Diana.

8

9 (BRIEF PAUSE)

10

11 MR. BYRON WILLIAMS: Page 2 of 11.
12 Scroll up one (1) more page. Right there should be
13 helpful. So you see Manitoba Hydro -- excuse -- is
14 suggesting you went from a --

15 MS. HELGA VAN IDERSTINE: Sorry, Mr.
16 Williams, if you could just let -- let everybody get to
17 where you're going so they know what they're looking
18 for. Thanks.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: I apologize.

23 MR. LARRY KENNEDY: I applaud the --
24 the young lady back there is finding the stuff much
25 faster than I am.

1 MR. BYRON WILLIAMS: She might have had
2 a head's up.

3

4 (BRIEF PAUSE)

5

6 CONTINUED BY MR. BYRON WILLIAMS:

7 MR. BYRON WILLIAMS: And -- and, Mr.
8 Kennedy, just whe -- Manitoba Hydro and yourselves use
9 almost three (3) terms I'll suggest to you. One (1) is
10 simulated vin -- vintaging, another being vintage
11 estimates, and an -- another being actual vintaging.

12 Would that be fair, sir?

13 MR. LARRY KENNEDY: That would be
14 correct, sir.

15 MR. BYRON WILLIAMS: And so what you
16 did with overhead conductors was not actual vintaging.
17 You did a -- a new vintage estimate.

18 Is that agreed?

19 MR. LARRY KENNEDY: Yes, sir, that
20 would be.

21 MR. BYRON WILLIAMS: And -- and for the
22 vintage estimate for overhead conductors, sir, it would
23 be fair to say that you based it on data for
24 distribution poles, agreed?

25 MR. LARRY KENNEDY: Largely. The --

1 the -- one (1) of the factors or assumptions if you
2 will is that the conductor would have been originally
3 installed at the time the poles were originally
4 installed. Now, recognizing there could have been some
5 moves in between, but that would have been one (1) of
6 the predominant assumptions.

7

8 (BRIEF PAUSE)

9

10 MS. MICHELLE HOOPER: Mr. Williams, I'd
11 also like to point out from my presentation we did
12 indicate that for the majority of our component groups
13 we have actual vintage, but there are some groups that
14 are estimated.

15 MR. BYRON WILLIAMS: And this one (1)
16 is estimated, not on conductor age, but on pole age,
17 right?

18 MS. MICHELLE HOOPER: Estimated based
19 on operational information that we believe provides us
20 with a stronger estimate than just pure statistical
21 vintaging.

22 MR. BYRON WILLIAMS: Yeah, and it's
23 based upon pole age?

24 MS. MICHELLE HOOPER: Yes.

25 MR. BYRON WILLIAMS: And certainly it's

1 the in-house staff opinion at Manitoba Hydro that
2 conductors are expected to last well beyond the life
3 span of a typical wood pole, agreed?

4 MR. LARRY KENNEDY: From a pure
5 wearability point of view, yes.

6 MR. BYRON WILLIAMS: Okay. And the
7 expected service life for overhead conductors is
8 actually less than it is for distribution lines,
9 agreed?

10 MR. LARRY KENNEDY: Agreed.

11 MR. BYRON WILLIAMS: Now, in terms of
12 duct lines, focussing on distribution, so concrete duct
13 lines, for the purposes of duct lines, did Manitoba
14 Hydro do a statistical derivation and estimate, or was
15 it based upon actual vintaging?

16 MS. MICHELLE HOOPER: It's actual
17 information, but the majority of Manitoba Hydro's duct
18 lines were purchased in -- in 2003 from Winnipeg Hydro.
19 So we're looking at a 2003 acquisition date rather than
20 actual original installation date.

21 MR. LARRY KENNEDY: In essence, the
22 Company bought a used asset in 2003.

23 MR. BYRON WILLIAMS: And just so I'm
24 understanding, in terms of the age profile and
25 construction-type data for duct line systems, is that

1 currently available to Manitoba Hydro?

2 MS. MICHELLE HOOPER: The original age
3 information, we have some information, but it is not
4 the basis for the depreciation study. The depreciation
5 study is looking at remaining life from 2003 when they
6 were acquired as a used asset, not from original
7 installation.

8 MR. BYRON WILLIAMS: And just so I'm
9 clear then, in terms of the Hydro lingo, would that be
10 a vintage estimate?

11 MS. MICHELLE HOOPER: It's not a
12 vintage or installation year estimate. It's year of
13 acquisition which is appropriate for a used asset.

14 MR. BYRON WILLIAMS: Okay. Now, Mr.
15 Rainkie, if I could direct your attention to Manitoba
16 Hydro Exhibit 81 which was filed yesterday, and I think
17 I shared it with you and your counsel yesterday.

18 And, Mr. Rainkie, I could pull up a
19 transcript reference or I could test your memory.
20 Which would you prefer?

21 MR. DARREN RAINKIE: I didn't know we
22 were going to have options this morning, Mr. Williams.
23 Good morning, Mr. Chair and Board members and everyone
24 present.

25 I think I remember -- if you're

1 referring to the exchange that resulted as an
2 undertaking, I think I can remember it sufficiently to
3 -- to go with you on this.

4 MR. BYRON WILLIAMS: And -- and I --
5 you'll recall that when we started talking about this,
6 you were talking about Hydro going through -- through
7 its buildings and trying to develop a long-term plan.

8 Do you remember that, sir?

9 MR. DARREN RAINKIE: Yes.

10 MR. BYRON WILLIAMS: And at the time,
11 we weren't quite clear whether there was a plan or you
12 were in the process of developing a plan. But you
13 remembered a -- a Board presentation within the last
14 month.

15 Does that ring a bell, sir?

16 MR. DARREN RAINKIE: Yes. You're
17 reminding me of my foggy memory. Yes, we -- we had
18 that conversation, sir.

19 MR. BYRON WILLIAMS: And -- and just if
20 you're ever looking for the reference, it's page 1,289,
21 but I -- I don't think you need to turn there. And
22 what you're telling us is that -- by Exhibit 81 that
23 there was some type of facility condition index,
24 agreed, sir?

25 MR. DARREN RAINKIE: Yes, sir.

1 MR. BYRON WILLIAMS: And that, you'll
2 agree with me -- or you'll agree that that facility
3 condition index was not filed as part of Appendix 4.2,
4 Manitoba Hydro's Electric Industry Condition Asset
5 Summary?

6 MR. DARREN RAINKIE: Yes. That was a
7 report on our operating areas, the generation and
8 transmission and distribution.

9 MR. BYRON WILLIAMS: When was this
10 facility condition index developed, sir?

11 MR. DARREN RAINKIE: No, sir. I'd --
12 I'd have to go back and find the specific dates. I --
13 one (1) of the many presentations that came to the
14 executive committee in the last number of months was
15 where we were at on this issue. But in terms of the
16 find dates, I'd have to chat with the folks that
17 actually undertook the work.

18 MR. BYRON WILLIAMS: Instead of asking
19 you to do that, can I ask if -- if Manitoba Hydro by
20 way of undertaking can file the facility condition
21 index?

22

23 (BRIEF PAUSE)

24

25 MR. DARREN RAINKIE: I'm a little

1 conscious of the discussion we had this morning about
2 the status of undertakings this late in the hearing.
3 And the other thing that I'm -- I'm missing is whether
4 there's something that con -- conveniently summarizes
5 it, you know, like a summary that we could provide.

6 I could certainly take it under
7 advisement to look for that. Sometimes documents
8 aren't just there to -- for the plucking. You know,
9 sometimes documents are very detailed operational.
10 Sometimes there's a summary report that's nice for the
11 purposes of these proceedings. I don't know which one
12 we have at this point, sir.

13 MR. BYRON WILLIAMS: Be -- before
14 trying to pose an undertaking I just want to, with the
15 Board's permission, make some commentary. As your cli
16 -- as the Board will be aware, our client has been very
17 interested in the sustaining capitale -- capital area.
18 We demonstrated on May 29th that a significant area of
19 growth is -- is in these types of buildings in the
20 '15/'16 year.

21 Our client has been making pretty
22 extensive efforts to try and gain information in terms
23 of the basis on which Manitoba Hydro is making its
24 submissions. So before posing the undertaking I want
25 to highlight the importance of this to our client in

1 our longstanding effort to understand the basis for the
2 sustaining capital estimates.

3 And so, Mr. Rainkie, I'm -- I'm going to
4 ask you by way of undertaking to produce the facility
5 condition index. In the event that you -- you
6 ultimately decide that it is not possible to do so, I
7 certainly want to reserve the right to make further
8 submissions on this.

9 MS. HELGA VAN IDERSTINE: So I think
10 I'll answer that question and we're not prepared to
11 give the undertaking at this particular point. We
12 would like to have a discussion with Mr. Williams at
13 the break to determine whether -- what it is he's
14 looking for and whether there's something we can
15 provide in a timely way to ensure that things are
16 available for this hearing.

17 But you heard my comments earlier today
18 about our concerns about providing undertakings,
19 getting them to the Board and the panel and -- and the
20 -- and the Intervenors in a timely way so that
21 everything's available and useful for this hearing. So
22 I'll have that discussion with Mr. Williams at the
23 break. And then we'll get back to everybody.

24 MR. BYRON WILLIAMS: And I'll be quite
25 clear just, Ms. -- to legal counsel in terms of what

1 we're seeking. We would like the facility condition
2 index analys -- analysis. We would like an expression
3 of the weighting assigned. And we would like an
4 indication of the pacing and prioritization.

5 So that's the type of material we're --
6 we're looking for.

7 THE CHAIRPERSON: Now, just an
8 observation. I'm guessing this is a fairly voluminous
9 set of data. And am I wrong? Am I...

10 MR. DARREN RAINKIE: Yes, sir, I -- I
11 saw the -- I saw a summary presentation of it, but
12 Manitoba Hydro has numerous facilities across this fine
13 province. So I guess that's what I was getting back
14 into my exchange with Mr. Williams is, is we can
15 certainly -- certainly look if there's a summary that
16 could be provided as opposed to inundating the Board
17 with hundreds of pages of material at this point.

18 THE CHAIRPERSON: Mr. Williams, is it -
19 - is it a summary you're after or is it an
20 understanding of how that index works?

21 MR. BYRON WILLIAMS: Well, sir, you'll
22 --

23 THE CHAIRPERSON: What I'm getting at,
24 I guess, is that, you know, if there's -- if, for
25 example, you could see a particular asset and how it's

1 treated, is that -- would that be helpful?

2 MR. BYRON WILLIAMS: Well, anything's
3 helpful, sir. But it's important to know the weighting
4 that are given to these assets. And -- and you have
5 seen on the record a Kinectrics study which is very
6 professional. Then you've seen some of the stuff from
7 PowerStream. That's the type of analysis that our
8 client is seeking to understand if it's there.

9 So we -- so we're -- we are looking for
10 the basis on which Manitoba Hydro makes important
11 pacing and prioritization decisions.

12 THE CHAIRPERSON: Thank you.

13

14 CONTINUED BY MR. BYRON WILLIAMS:

15 MR. BYRON WILLIAMS: Mr. Kennedy, you
16 had a discussion with Board member Grant in terms of
17 what a true up is.

18 Do you recall that discussion, sir?

19 MR. LARRY KENNEDY: I do, sir.

20 MR. BYRON WILLIAMS: And I don't want
21 to -- to follow that path too long. But you'd agree
22 that even when the cur -- curved shaped chosen is based
23 on informed judgment the plant generally will not
24 retire precisely at the time the projected life and
25 dispersion pattern suggests?

1 MR. LARRY KENNEDY: I'd agree, sir. If
2 I can estimates to -- to that preciseness I would be in
3 the commodity business rather than the depreciation
4 game.

5 MR. BYRON WILLIAMS: And I'd be seeking
6 information from you, sir, as well.

7 And so because there can be variances
8 one (1) way or the other within depreciation
9 techniques, there -- there has developed various
10 approaches to try and determine the variance between
11 theoretical deter -- depreciation and actual book
12 accumulated depreciation, agreed?

13 MR. LARRY KENNEDY: I'm not sure what
14 you mean by 'various techniques'. And that -- and
15 that's where I'm -- I'm hesitating.

16 MR. BYRON WILLIAMS: As opposed to
17 procedures. Well, let me -- let me just jump to the
18 chase, sir. In terms of the true-up procis --
19 provision that you're recommending as part of your 2014
20 depreciation study, am I correct in suggesting it's
21 based upon the average service life procedure used to
22 develop -- for development of the composite remaining
23 life?

24 Is that -- is that what you're using,
25 sir?

1 MR. LARRY KENNEDY: Yes, sir. We -- we
2 developed that remaining life calculation on the basis
3 of the average service life procedure calculations. In
4 essence, and I want to be clear here, what we're trying
5 to determine is an area underneath a curve.

6 And the -- the equal life group
7 procedure, when you run its remaining life
8 calculations, puts some bias into that to probably
9 shorten it up -- or to shorten it up a bit for that --
10 that remaining life piece. In my view, the -- the
11 average service life procedure is really only used as a
12 tool to calculate that area under the curve, which is
13 does much more mathematically precise.

14 MR. BYRON WILLIAMS: Okay.

15 MR. LARRY KENNEDY: So it's not really
16 the procedure, it's the tool that we use to determine
17 that area under the curve from your -- from your
18 achieved age to the maximum age of the curve.

19 MR. BYRON WILLIAMS: Okay. Thank you.
20 My Friend Mr. Hombach shared with you an -- an expert
21 from the NARUC, N-A-R-U-C, for the reporter, 1996
22 manual on public utility depreciation practice.

23 Do you recall that?

24 MR. LARRY KENNEDY: That's correct.
25 Yes, sir. And -- and, Mr. Williams, I'm just going to

1 go back to my previous answer just to make sure we're
2 clear. The --

3 MR. BYRON WILLIAMS: Oh, I was clear.

4 MR. LARRY KENNEDY: Oh, okay. I just
5 want to make sure the Board was clear. The -- the
6 calculation of remaining life used the average service
7 life procedure as its tool. The actual theoretical
8 number that's -- that's used is developed using the
9 equal life group procedure.

10 MR. BYRON WILLIAMS: I understand, sir.
11 My -- my question simply in terms of that NARUC
12 document, the manual on public utility depreciation
13 practice, is: Would it be correct to suggest that you
14 were not either -- you did not play a role in authoring
15 either the various chapters of the manual or any of its
16 appendices?

17 MR. LARRY KENNEDY: I personally did
18 not. Our firm in -- in -- our US counterparts of
19 Gannett Fleming, I'm not sure if we're a part of the
20 editorial review team of that or not. I -- but
21 personally, I was not.

22 MR. BYRON WILLIAMS: You played no
23 role?

24 MR. LARRY KENNEDY: I personally played
25 no role.

1 MR. BYRON WILLIAMS: Okay. Mr. Chair,
2 thank you for the -- the time. Our -- our client
3 appreciates the opportunity.

4 THE CHAIRPERSON: Thank you, Mr.
5 Williams. Me. Hacaault, are you ready to proceed?

6 MR. ANTOINE HACAULT: Yes.

7

8 CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

9 MR. ANTOINE HACAULT: Good morning,
10 members of the panel. I think there's just one (1)
11 member that I haven't had the opportunity to say this.
12 If my question is not clear, just let me know. I want
13 to make sure that we have good communication.

14 Mr. Kennedy's an old war hors -- horse
15 on this, so I -- I don't think he needs the warning.
16 Or -- so the first thing I'd like to cover -- and
17 there's going to be three (3) subjects I'm going to
18 cover, just to let the panel know. Firstly, it's going
19 to be the scope of what Mr. Kennedy has been doing over
20 -- since 2005. Next, I'm going to be talking about the
21 accumulative depreciation variance, how that's
22 progressed and -- and how subsections have helped us
23 understand things for depreciation. And the last
24 subject I'll want to broach is the net salvage issue
25 and how we can look at that on a principled approach,

1 whether it stand on -- stands on its own from a rate
2 regulation perspective.

3 So I'll start with the first subject
4 that I've indicated, is with respect to the
5 instructions. And to be able to do that, we
6 distributed last night another book of documents which
7 attaches the 2005 depreciation study, which I
8 understand can be marked as MIPUG-10-5.

9 Is that correct?

10 MR. KURT SIMONSEN: Yes.

11

12 --- EXHIBIT NO. MIPUG-10-5: Book of documents which
13 attaches the 2005 depreciation study

14

15 CONTINUED BY MR. ANTOINE HACAULT:

16 MR. ANTOINE HACAULT: Okay. And, Mr.
17 Kennedy, I appreciate it's been some time since you
18 prepared this report, but if we look at page 3 --
19 Diana, if you can bring that up please -- of the book
20 of documents it's my understanding that this was
21 prepared under your direction and control, correct?

22 MR. LARRY KENNEDY: That is correct.

23 MR. ANTOINE HACAULT: And if we go to
24 page 6 of the book of documents there's a heading
25 called "Scope."

1 Do you see that, sir?

2 MR. LARRY KENNEDY: I see that, sir.

3 MR. ANTOINE HACAULT: And part of the
4 reasons we have a scope is that it sets out what you
5 were tasked to do, correct?

6 MR. LARRY KENNEDY: That's correct.

7 MR. ANTOINE HACAULT: And if we look at
8 the second paragraph, and I'm quoting for the record,
9 you -- you have indicated:

10 "The depreciation accrual rates
11 presented herein are based on
12 generally accepted methods and
13 procedures for calculating
14 depreciation."

15 Correct?

16 MR. LARRY KENNEDY: That's correct,
17 sir.

18 MR. ANTOINE HACAULT: And at that point
19 in time because we did not have to deal with IFRS that
20 generally accepted method and procedure for calculating
21 depreciation was the ASL method, correct?

22 MR. LARRY KENNEDY: I'm sorry?

23 MR. ANTOINE HACAULT: At the time,
24 because we didn't have to deal with IFRS, the method
25 that you're talking about here as being generally

1 accepted method and procedure for calculating
2 depreciation was the average service life method,
3 correct?

4 MR. LARRY KENNEDY: Yes, sir. And this
5 -- this statement is meant to -- to present the -- the
6 approaches used in this completion of the depreciation
7 study were generally accepted. I would -- I would
8 agree that the -- the use of the average service life
9 method or average group life method, being one (1) and
10 the same, are generally accepted practices for -- for
11 rate regulation purposes for depreciation studies.

12 Now, as kind of the prelude to your
13 question you -- you talked about IFRS and we -- we have
14 to make sure that our studies meet the needs of our
15 clients for -- for bookkeeping. You notice in the
16 first paragraph you'll see the statement that says, "To
17 determine." I'll read the statement as a whole:

18 "This report sets forth the results
19 of the depreciation study for
20 Manitoba Hydro to determine the
21 annual depreciation accrual rates and
22 amounts for book and rate ca -- rate-
23 making purposes applicable to the
24 original cost."

25 MR. ANTOINE HACAULT: And you've hit

1 really the nail on the head is that at that time when
2 you were preparing that report you didn't have to
3 concern yourself with the client's request that you try
4 to do something that matches with IFRS because both the
5 book and rate-making principles were the same at that
6 time, correct?

7 MR. LARRY KENNEDY: Generally, yes.

8 MR. ANTOINE HACAULT: And then that led
9 us to some time preceding the 2010 report.

10 MR. LARRY KENNEDY: And -- and --
11 sorry. I -- I will point out, though, that in this
12 depreciation study, and I'm -- I'm struggling to find
13 the page reference because it's in virtually every one
14 (1) of my studies, that we would have acknowledged that
15 we believed the equal life group method or procedure
16 provides a better match into consumed service value.
17 However, we used average service life as it's a
18 generally accepted regulatory -- or it's generally
19 accepted in regulatory forums. But --

20 MR. ANTOINE HACAULT: Oh, where --
21 where would this be in the 2005 report?

22 MR. LARRY KENNEDY: Now I've got to go
23 find it. If you -- if you'd give me one (1) minute.

24

25 (BRIEF PAUSE)

1 MR. ANTOINE HACAULT: Maybe if I could
2 direct your page -- direction to page 21 of that
3 report, sir.

4 MR. LARRY KENNEDY: Yes, that's about
5 the spot I'm getting to. Yes, at the bottom of page
6 21, sir, you'll see:

7 "Although an opinion of Gannett
8 Fleming that the equal life group
9 procedure is superior for the average
10 service life procedure in managing
11 depreciation expense and consumption
12 of service value, the average service
13 life procedure was used in order to
14 conform to past Company practices and
15 for consistency with other susi --
16 subsidiary companies."

17 This is -- this paragraph is at a
18 slightly different spot in this report than where I
19 normally put it. I'm not sure why.

20 MR. ANTOINE HACAULT: And, sir, that
21 comment is to be taken with respect to the theoretical
22 ELG as set out in the theoretical books, correct?

23 MR. LARRY KENNEDY: Oh, yes. And my
24 belief that, absent other considerations in, the equal
25 life group procedure in my view does provide for a

1 better matching of the consumed service value to the
2 resulting depreciation expense.

3 MR. ANTOINE HACAULT: And I note you've
4 answered that very carefully, sir, by qualifying
5 "absent other considerations" in your response. And --
6 and that's a very good response, sir, because ELG from
7 a theoretical perspective accomplishes what it's
8 supposed to do in theory absent other considerations
9 when you start to toy around with reality, correct,
10 sir?

11 MR. LARRY KENNEDY: Oh, I wouldn't --
12 well, you took my response and added a whole bunch of
13 words to it. I would say the EL -- equal life group
14 procedure is a superior method for matching the
15 consumption of service value to the -- to the life.

16 You'll notice here we -- we said we do
17 recognize that the Company had previously been using
18 the average service life. So to -- to con -- continue
19 that consistency, they had subsidiary companies that
20 were using the average service life method.

21 We -- we looked at that all and, yes, I
22 will recognize that the -- there's other considerations
23 you have to take or make when -- when making a
24 recommendation.

25 I -- we -- we put the statement in the

1 studies because I firmly believe in the statement that
2 it is superior. And, absent a reason not to, I
3 recommend to clients they ought to use equal life
4 group.

5 MR. ANTOINE HACAULT: And there's
6 probably not very many experts who would say something
7 different at a theoretical level, I would suggest to
8 you, sir.

9 MR. LARRY KENNEDY: Not if they want to
10 call themselves experts.

11 THE CHAIRPERSON: Me. Hacault, I've
12 lost you. Could you -- could you make me understand
13 what you're getting at, please?

14 MR. ANTOINE HACAULT: I've got to tread
15 carefully because I don't want to be giving evidence.

16 THE CHAIRPERSON: Okay.

17 MR. ANTOINE HACAULT: And you've seen
18 the report. There's a report of Ms. Pat Lee, and
19 she'll be getting into the difference between what I
20 would refer to as theoretical ELG, what's supposed to
21 happen in theory, and then the challenges in applying
22 theory to the day-to-day practice and the problems that
23 that causes.

24 And this witness has said and agreed
25 with me, from a theoretical level, experts have one (1)

1 view of the methods. But when it comes to applying it
2 in practice based on the type of data that you have, et
3 cetera, it's a totally different issue.

4 THE CHAIRPERSON: Okay. I -- I
5 appreciate the difficulty that you're having in -- in
6 not giving evidence, but let's -- could you -- could
7 you address that specifically, Mr. Kennedy?

8 And for you, it would be evidence. So
9 maybe -- let -- let's explore that because I want to
10 make sure I understand what -- what the issue is.

11 MR. LARRY KENNEDY: Absolutely. And I
12 was hoping somebody would ask me a question that could
13 follow up on that, so thank you.

14 The -- the allegations that equal life
15 group procedure only provides a benefit and a better
16 matching in the absolute perfect world in my view are
17 massly -- massively overstated.

18 It's like saying they can only drive a
19 car that's got 100 percent octane gas. It runs better.
20 It'll run longer, but I can drive a car on normal
21 octane gas and it runs very well. I get the benefits
22 of that car.

23 The -- the practice of the academic
24 world that would say it can only exist in a very tight
25 set of circumstances I think are really a -- with all

1 due respect to the intervening community, from the
2 intervening community to try to avoid the -- the
3 implementation of the equal life group procedure,
4 they've been -- the very same arguments, precisely the
5 very same arguments, have been batted around since the
6 1950s and '60s.

7 And utilities generally dealt with the
8 ones that -- that are legitimate, I think. And an
9 example of that would be to use the average service
10 life method in the calculation of that remaining life
11 piece. That -- that was a legitimate concern, and
12 we've dealt with that.

13 But we are now down to the point of, my
14 grandfather used to say, picking fly poop out of pepper
15 in terms of the detail and the granularity that we have
16 -- that -- that the Intervenor community will expect us
17 to get to.

18 And I do want to say this. The -- the
19 data set that we have for Manitoba Hydro gives me every
20 comfort that the equal life group procedure can be
21 implemented, implemented properly and implemented with
22 all the benefits that we would expect it to -- to
23 achieve.

24 The -- the need for an accumulated
25 depreciation balance by vintage does not exist in this

1 circumstance because of the method in which we
2 calculate the -- the remaining life calculation under
3 ASL. And absent that, we do everything textbook by --
4 by the -- the practice of the -- the peop -- the equal
5 life group makers, Mr. Winfrey back in 1942.

6 The -- the use of a composite
7 depreciation rate rather than a depreciation rate to
8 each -- each vintage gives you precisely the same
9 arithmetic result. So to me to say that, gee, you have
10 to make sixty (60) calculations per account per month
11 rather than do -- using a weighted average calculation
12 isn't accurate; it gives you the same result.

13 So I do want to be careful that this --
14 if we go back to the textbooks it'd say one (1) thing.
15 I think over the last -- where are we at now -- eighty
16 (80) years, yeah, thereabouts, seventy (70) years, I
17 guess, since 1942 when the -- when the procedure was --
18 was published we -- we identified ways of -- of
19 implementing all the benefits of the equal life group
20 procedure.

21 And so without giving too much more new
22 evidence, maybe that'll be my summary, I think, for
23 this point.

24 THE CHAIRPERSON: I guess, let me
25 encapsulate. We had testimony from a very good witness

1 from Manitoba Hydro, Mr. Read, who feels very deeply
2 about the equipment he manages. And so I'm assuming
3 that Mr. Read has a particular view of the equipment
4 that he manages and how long it's going to last and so
5 and you have -- you come in and you do your study, use
6 your curves and so on.

7 And there's a -- is there a disconnect?
8 Is there a disconnect between what Mr. Read is saying
9 and what you're saying? And is that -- and I think
10 that's -- if I understand it, that's the argument that
11 Me. Hacault is making.

12 MR. LARRY KENNEDY: Without putting
13 words in Mr. Hacault's mouth in terms of the argument
14 he was making, I will say that when we see Mr. Read
15 giving evidence about the life estimate he's thinking
16 of it from a total long-term, how long can I physically
17 make an asset last perspective, not giving
18 consideration to things like economic changes.

19 I'll -- I'll maybe provide an example of
20 that. The -- I think there was some evidence earlier
21 in this proceeding that perhaps the blade runners on
22 the generating equipment could have a very long life.
23 What we've seen in -- is that there has -- out of a
24 population of about a hundred units that have blade
25 runners we've had retirements of about -- thereabouts

1 of twenty-five (25) of them, and of those twenty-five
2 (25), three (3) have been caused by wear and tear
3 issues. The remaining portion have been caused by
4 economic circumstances, capacity issues, technology
5 issues that -- that wouldn't be part of Mr. Read's
6 overall life expectancy.

7 So there's -- we take his -- his
8 information and -- and we -- we use that as part of the
9 total data set. Then we look at other factors, such as
10 the economic lives. I think Mr. Hacault's question is
11 a little bit different that -- that would say the --
12 the makers of the depreciation role, largely Robley
13 Winfrey in 19 -- 1942 when he came up with the equal
14 life group procedure -- a published equal life group
15 procedure, suggested it should be implemented on a very
16 precise vintage-by-vintage basis with specific
17 depreciation rates for each vintage of plant.

18 And you got to compare that result to
19 the very specific cumulated deprecation that would be
20 tracked vintage by vintage. And what I'm suggesting is
21 that would be the very academic world. But in reality,
22 you get the exact same arithmetic result doing a lot
23 easier approach.

24 To -- to steal Mr. Rainkie's quote from
25 yesterday, I -- I think we figured out how to work

1 smarter rather than harder, and the computers have
2 helped us an awful lot in that -- in that matter since
3 1942.

4 I don't know if that helped answer your
5 question.

6

7 CONTINUED BY MR. ANTOINE HACAULT:

8 MR. ANTOINE HACAULT: Thank you. I
9 think, given the chairman's question, I wasn't
10 intending on going -- walking through an example, but
11 it might be useful to do some of that. Diana, if you
12 could bring up transcript page 1,650 up so we see what
13 Mr. Read had to say with respect to the category which
14 combines both generators and turbines? And I'll go
15 through step-by-step.

16 So I was asking Mr. Read how he viewed
17 the expected life. And as you may recall the
18 discussion, there's a sixty (60) year time frame put in
19 the depreciation study, and I wanted to see what his
20 thought and his understanding was when he was looking
21 at his equipment.

22 I don't have the -- in front of you with
23 respect to the turbines, but he said with maintenance,
24 that could be extended, basically indefinitely, I think
25 was the substance of his words. And with respect to

1 another part of that, the stators, he said, well, some
2 of them go up to eighty-nine (89) years, some have been
3 failing at forty-five (45), but you'd have an expected
4 live somewhere around a normal distribution.

5 So that's how he's thinking. And this
6 is with respect to the major aspects. Now, let's,
7 please, Diana, go to -- this will be Appendix 4.2, page
8 10, which is the asset condition report, and I wanted
9 to have that to put it into context.

10

11 (BRIEF PAUSE)

12

13 MR. ANTOINE HACAULT: Sir, you said
14 that you saw this in preparing your report, correct?

15 MR. LARRY KENNEDY: I did review this
16 asset condition report, yes.

17 MR. ANTOINE HACAULT: And we went
18 through with Mr. Read what the expected life of, we
19 just saw the transcript discussion about that, and if
20 we look at the bottom of this page, and we're looking
21 at the significance of this particular group, there's a
22 replacement value shown there of 2.3 billion.

23 Do you see that, sir?

24 MR. LARRY KENNEDY: I see that.

25 MR. ANTOINE HACAULT: And we'll go to

1 the next page in this asset condition report that deals
2 with the turbines, then we'll go to the depreciation
3 table, page 12. There's hydraulic turbines, and you
4 combined both of those together, sir, correct?

5 MR. LARRY KENNEDY: Yes, that's one (1)
6 of the accounts that --

7 MR. ANTOINE HACAULT: Yeah.

8 MR. LARRY KENNEDY: -- that have been
9 combined that may need to be recomponentized under --
10 under --

11 MR. ANTOINE HACAULT: Sorry, may need
12 to be recomponentized?

13 MR. LARRY KENNEDY: Under an IFRS-
14 compliant ASL method.

15 MR. ANTOINE HACAULT: Okay. Now,
16 again, if we go to the bottom of these turbines,
17 there's some \$2 billion, which is a very big category
18 in the depreciation study, correct?

19 MR. LARRY KENNEDY: That is correct,
20 sir.

21 MR. ANTOINE HACAULT: And what you've
22 done, sir, is you've done an Iowa curve with respect to
23 two (2) groupings, firstly, a grouping of a hundred and
24 twelve (112) turbines, and second, a grouping of a
25 hundred and seventeen (117) generators.

1 You've put that as a group together,
2 correct?

3 MR. LARRY KENNEDY: Correct, sir.

4

5 (BRIEF PAUSE)

6

7 MR. ANTOINE HACAULT: And if we look at
8 the box, the turnover, the current plan going forward
9 of Manitoba Hydro is to replace those assets due to end
10 of life, and also what you've been talking about, due
11 to economically justified increases to unit output.

12 So that's the plan of Manitoba Hydro
13 going forward, correct?

14 MR. LARRY KENNEDY: That would be their
15 plan, absent any mechanical failure of the device ahead
16 of that.

17 MR. ANTOINE HACAULT: Now, from a
18 theoretical level, it would be, I would suggest, sir,
19 appropriate in any grouping method to put a substantial
20 group together if the expected life was significantly
21 different, agreed?

22 MR. LARRY KENNEDY: You mean a
23 differing asset category?

24 MR. ANTOINE HACAULT: Yeah, put it in a
25 different group. You would put turbines in one (1)

1 group, because that's a \$2 billion amount, and you've
2 got a hundred and twelve (112) -- a hundred and
3 seventeen (117), I think, in -- in the -- sorry, a
4 hundred and twelve (112) in that group.

5 So we want to put significant groups
6 together to get an idea as to whether your curve does
7 something that's meaningful with respect to turbines,
8 correct?

9 MS. SANDY BAUERLEIN: I think I'd just
10 like to interject just for a moment, Mr. Hacault. In
11 our presentation -- I just want to make this very clear
12 for the Board -- we were very specific in that the
13 definition that was used by the planning and operations
14 panel for their asset condition assessment is very
15 different than the definition of expected service lives
16 that's used for depreciation purposes.

17 We consider all factors. This assumes
18 the life of the asset absent that it's not replaced any
19 sooner for any other reasons. So I think we're a
20 little bit trying to compare a little bit of apples and
21 oranges, here. Again, the asset condition folks are
22 looking at this from a maintenance perspective and
23 replacement. We're looking at it from a perspective of
24 depreciation. And -- and they're two (2) very
25 different things. And I just want to make that point

1 clear to the Board.

2 MR. ANTOINE HACAULT: Thank you, Ms. --

3 MR. LARRY KENNEDY: And -- and I think
4 to help with that, I understand the -- the actual
5 survivor curves that are in the record of this
6 proceeding and I'm -- I'm going to depend on my
7 colleagues to help me -- tell -- tell me where.

8

9 (BRIEF PAUSE)

10

11 MR. ANTOINE HACAULT: So I had posed
12 the question, and I've heard Ms. Bauerlein's argument.
13 That's why I brought the Board to the evidence as to
14 what our managers were actually saying and how they
15 were doing this as opposed to the argument being made
16 by Ms. Bauerlein. Now, I'd like to --

17 MS. HELGA VAN IDERSTINE: Mr. -- Mr.
18 Chair --

19 MR. ANTOINE HACAULT: -- direct the
20 witness back to --

21 MS. HELGA VAN IDERSTINE: Excuse me,
22 Mr. Chair. You know, I don't think it's fair for Mr.
23 Hacaault to be suggesting that Ms. Bauerlein is
24 presenting argument. She was trying to clarify an
25 issue which seemed to be confusing the -- the questions

1 within the answers that were being provided.

2 And I -- to me, the importance of the
3 evidence of the panel, or any witness, quite frankly,
4 is to make sure that when they're asked questions, that
5 the answers they're providing are helping illuminate
6 the issue. And if the question and the answers are not
7 meshing because there's a -- an apparent
8 misunderstanding, it seems to me absolutely appropriate
9 for a panel -- for a member to -- to try and clarify
10 that. That's not argument.

11 THE CHAIRPERSON: Me. Hacault, would
12 you like to respond to that?

13 MR. ANTOINE HACAULT: I've stated my
14 position for the record. I think we have to rely on
15 the answer given by Mr. Read as to how he does it. Ms.
16 Bauerlein maybe have a different view, but we -- this
17 document, as I understand it, was made -- and the input
18 was from Mr. Read. He's -- he was -- contributed and
19 created this document, so we had to have his answers,
20 and that's why I ask specific answers with him -- of
21 him to understand how he interpreted it.

22 And we saw that he chose kind of some --
23 somewhere in the middle. It wasn't the extreme one (1)
24 way or the other. That's pretty clear from his
25 answers. So I wanted to make sure the Board had the

1 evidence of the person who contributed to the report.

2 So --

3 THE CHAIRPERSON: Mr. Read (sic), do
4 you -- do you wish to comment on that please?

5 MR. LARRY KENNEDY: Sure, and I -- I
6 think there's kind of a hanging question here that I
7 have not yet answered that I think is only fair that --
8 to -- to all parties that -- that I answer the question
9 that was asked originally. I -- I've got my colleagues
10 trying to figure out where we -- we've actually filed
11 the -- the piece of paper that I was going to, but
12 absent finding that at this very second, the -- I'm
13 going to answer the question. Your question was, Would
14 it make sense to have this into two (2) groups. And if
15 we could find the -- would there be a reason for this
16 to be subdivided into two (2) groups?

17 And that -- is that a fair
18 characterization, Mr. Hacaault, of the question you
19 asked?

20

21 CONTINUED BY MR. ANTOINE HACAULT:

22 MR. ANTOINE HACAULT: Well, we're --
23 yes. Because we talk about average service life
24 grouping and equal life grouping. So my suggestion to
25 you is when we have significant assets with

1 significantly different expected lives, that it would
2 make sense to have a separate grouping for those
3 significant assets, sir.

4 MR. LARRY KENNEDY: Okay. And I'm
5 going to try to give you a direct answer to that
6 question, to be fair to you. Not that I always worry
7 about that. The -- I think the answer is if we --

8 THE CHAIRPERSON: Sorry, Mr. -- Mr.
9 Kennedy. But that -- what you just asked, though, is
10 equ -- is -- is true of both ASL and ELG isn't it?
11 Like, I mean --

12 MR. ANTOINE HACAULT: That -- my
13 suggestion to this witness, and I'll be going into that
14 further, is that for grouping methods, if you have a
15 significant asset with significantly different expected
16 lives, it makes sense to put those groups separately.
17 Otherwise, it may skew your results.

18 MR. LARRY KENNEDY: Yes. And so, sir,
19 to -- to answer the question, I'm -- I'm going to try
20 to do that in two (2) parts. The direct answer of the
21 -- to the question would be, if we were to continue the
22 use of the average service life procedure, I -- I would
23 think that would be a -- a fair comment, and a -- and a
24 fair thing to do is to break this account out.

25 So we heard yesterday, we're -- we're

1 working our way through the -- the accounts. The
2 reason these two (2) accounts were -- were initially
3 grouped together is we only have a certain number of
4 generators and a certain number of turbines. And to
5 get a statistically meaningful population to analyze,
6 back in 2010, we -- we decided to group these accounts
7 to have a -- a larger statistical base.

8 Going forward in the world of IFRS, this
9 would be an account that would have to be separated out
10 under the continual use of the average service life
11 procedure.

12 Now, if I could maybe get or -- or find
13 a person back in the back that's putting these things
14 up, Manitoba Hydro filed an Information Request
15 response to MIPUG/MH-I-19(c) and Attachment 3. And I'd
16 be -- it's going to be -- and it's going to be this.
17 That'll be the page?

18

19 (BRIEF PAUSE)

20

21 MR. LARRY KENNEDY: Yeah. Okay. And
22 on that, it's going to be -- yeah. Can -- can you just
23 scroll down to an account -- you'll see an -- if we can
24 just -- if you keep scrolling, I'll tell you about when
25 you're getting close. Probably they're about at page

1 20 -- 22, 23 somewhere.

2 Okay. The next account, down a little
3 bit more. Okay. Just scroll down. Good. Is it
4 possible to turn that view sideways? Great. Thank you
5 very much. I appreciate that.

6 This -- this chart that we -- that we've
7 now had put up on the screen is the ashters -- the
8 actual actuarial or statistical analysis of the
9 historic retirement activity on this account.

10 You'll notice that by combining those
11 groups, we actually were able to -- to fit an observed
12 life table through a meaningful por -- portion of the
13 curve, in other words, down to 40 percent surviving,
14 which is in our -- in our world, a -- a pretty decent
15 curve. It's -- it would be still stubbed, but not
16 stubbed by a lot.

17 And so if you look at that curve, what -
18 - what you're looking at here is the black dots relate
19 to the actual average age or the actual surviving age
20 or the percent surviving at each age.

21 So in other words, when you see a dot at
22 about age thirty-nine (39), moving down from about 98
23 percent to thereabouts of about 93 or 94 percent, that
24 -- that reflects that, at that age interval, there was
25 a significant amount of retirement activity.

1 Same thing occurs at about age forty
2 (40), approx -- closer to about fifty (50). About
3 midway between that -- that forty (40) and sixty (60)
4 data points, you'll see another significant amount of
5 large data.

6 This would be the -- the anal -- the
7 data set we look at on this combined curve. And what
8 we do is we fit a curve, the sixty (60), the Iowa 60-
9 S3, to it, which provides a very good fit through the -
10 - the period of the most significant retirement
11 activity.

12 If we were to break this account up into
13 two (2) subcomponents, we would end up with two (2)
14 very stubbed curves, just because the population of
15 data isn't -- isn't sini -- isn't sufficient enough for
16 us to -- to do a complete analysis.

17 As I mentioned a few minutes ago, going
18 into the world of IFRS, and given the dispersion of the
19 -- of the life estimates, we would recommend that this
20 ought to be broken into two (2) pieces under the
21 average service life procedure.

22 Under the equal life group procedure, we
23 view that the -- on the combined basis, we can develop
24 a depreciation expense and a depreciation rate that
25 sufficiently deals with the differing life

1 characteristics of the -- of the two (2) large
2 components, as Mr. Hacaault has -- has identified. But
3 we can deal that -- deal with that in one (1) curve and
4 fit to the -- the expected life estimates of that on
5 the basis of what we've seen historically.

6 This also provides a good indication of
7 what we see in -- in the real life, when you consider
8 all forces of retirements as compared to -- to perhaps
9 things that come out of the equipment health report doc
10 -- documents that are really a -- a pure end-of-life
11 document.

12 So we -- when we actu -- start in --
13 introducing things like economic retirements, cap --
14 retirements caused by capacity, retirements caused by
15 failure of the mechanical equipment. We -- we get a
16 profile that looks more like this than equipment
17 lasting all the way to age sixty (60) or all the way to
18 age eighty (80), and then all of the sudden they're
19 retiring. The real world is the equipment retires in
20 more of a retirement pattern, no.

21

22 CONTINUED BY MR. ANTOINE HACAULT:

23 MR. ANTOINE HACAULT: Sir, I've
24 listened to your answer. Which dot or dots are turbine
25 retirements?

1 MR. LARRY KENNEDY: Sir, that -- and
2 that's the -- the function when you group these. You
3 cannot tell. The -- the dots are combined of both
4 turbines and the generators.

5 MR. ANTOINE HACAULT: So you can't tell
6 me today, and they're both major asset groups, which
7 dot is a turbine dot if there is any at all?

8 MR. LARRY KENNEDY: Based on the -- on
9 the plotted chart, no. The underlying data we could
10 dig back into, I think.

11 MS. MICHELLE HOOPER: Mr. Hacault, we
12 did -- we were able to divide this account into
13 turbines and generators, and we used it as one (1) of
14 our examples in Appendix 11.49 to develop separate --
15 as a -- as an example of the differences that would
16 occur if we had to split the account into two (2)
17 components for turbines versus generators. Because
18 these are very big pieces of equipment, the asset
19 equipment records do generally indicate whether the
20 expenditures and the retirements related to turbines or
21 generators.

22 MR. ANTOINE HACAULT: So which does are
23 turbine dots?

24 MS. MICHELLE HOOPER: This is a
25 combined -- a combined account. This is not an

1 analysis of the individual components within -- sub-
2 components within as a group, so you don't have -- that
3 information's not available here. We would have to go
4 back to the data from Appendix 11.49 and generate a
5 separate curve for each of those, which is -- is not
6 something that we could do in a quick manner.

7 MR. LARRY KENNEDY: And so this is a
8 really good example, I think, of the -- the differences
9 between the equal life group procedure where we can use
10 this curve to -- to determine a reasonable
11 approximation of the consumed service value of the
12 group as a whole as compared to under the average
13 service life procedure where I do agree we would need
14 to break this out to meet the requirements of standard
15 16 of the IFRS. It wouldn't need to be broken up into
16 two (2) separates.

17 And to -- to use Mr. Hacault's
18 termination, we would have to develop the dots specific
19 to both. And that's the work that would be required
20 going forward under an IFRS compliant average service
21 life procedure method. We'd have to go back and -- and
22 refine those specific -- break this out, go back to the
23 data sets and -- and reestablish the dots applicable to
24 both.

25 And that isn't just a matter of going to

1 our data set. That's -- that's a matter of digging
2 through the accounting records.

3 MR. ANTOINE HACAULT: So, sir, how many
4 data points do you have for turbines which are expected
5 to last for ninety (80) to a hundred years?

6 MR. LARRY KENNEDY: Sir, we would -- if
7 we were to plot this separately for turbines and
8 generators both we would have the same number of data
9 points but they would be at different spots on this
10 chart because both -- both sets of equipment have
11 lived.

12 A notices goes out -- the last data
13 point on the chart that we have on the screen goes out
14 to approximately age ninety-seven (97) -- I'm sorry,
15 age ninety-two (92). And they would -- assuming that
16 both turbines and generators have been in service at
17 one point in time in this Company, over that same
18 period of time you'd have the same number of dots that
19 would appear in different spots on the chart.

20 So in other words, you'd need to break
21 each one of these dots into the generator dot and the
22 turbine dot.

23 MR. ANTOINE HACAULT: I'll ask my
24 question again. How many dots, if any at all, relate
25 to turbine retirements which have a ninety (90) to a

1 hundred year life as opposed to the generators which
2 have a sixty (60) year life.

3 MS. MICHELLE HOOPER: Mr. Hacault, the
4 ninety (90) to a hundred year life for turbines relates
5 to end-of-life only. There's a definition in the asset
6 condition report that specifically -- that indicates
7 they specifically exclude other factors of retirement,
8 such as economic factors.

9 We have done -- there's several
10 instances where we have done re-runnering projects to
11 replace turbine blades. That would be -- turbine
12 retirements would have resulted from those. I -- so
13 there are definitely turbine retirements in here as
14 well as generator, but specifically which, I cannot
15 tell you at this time.

16 MR. ANTOINE HACAULT: I'll move on.

17 THE CHAIRPERSON: Mr. Hacault, have you
18 got lots of questions? It's about an hour -- we've
19 been going for about an hour and a half. So would you
20 like --

21 MR. ANTOINE HACAULT: It would be
22 appropriate to take a break. I -- this part --

23 THE CHAIRPERSON: With that then --

24 MR. ANTOINE HACAULT: -- I didn't
25 expect to get --

1 THE CHAIRPERSON: -- let's take ten
2 (10) minutes.

3 MR. ANTOINE HACAULT: -- into, but as a
4 result of the answer by Mr. Fleming (sic) I thought we
5 -- or Mr. Kennedy of Gannett Fleming, I thought that it
6 would be useful to -- to see an actual example as to
7 how this curve was guessing as to what was happening to
8 turbines.

9 THE CHAIRPERSON: Thank you. So we'll
10 -- we'll take ten (10) minutes. We're back here at
11 twenty-five (25) to.

12

13 --- Upon recessing at 10:23 a.m.

14 --- Upon resuming at 10:39 a.m.

15

16 THE CHAIRPERSON: Me. Hacault, s'il
17 vous plait.

18 MS. HELGA VAN IDERSTINE: Mr. Chair, if
19 I might for just a moment, we had a little discussion
20 with Mr. Hombach at the break about undertakings.
21 We're going to endeavour to have as many of them done
22 as possible by Monday morning. So if we could revisit
23 the issue of the timing of argument again Monday
24 morning, that would be the appropriate time to do so,
25 when people have seen how -- what level of undertakings

1 are outstanding at that point.

2 The other thing is, is that one (1) of
3 the undertakings that was requested by the panel of
4 relating to -- it was something that Mr. Rainkie was
5 going to respond to, so he will be available Monday
6 morning to provide both the oral answer to that as well
7 as a -- a written one, if it's appropriate, so that we
8 have -- if you have any further questions on it, it's
9 available to you and he will be available at that time.

10 And finally, one (1) further thing, as
11 Mr. -- in the final question that Mr. Hacault was
12 closing up his -- before the break, he made reference
13 to -- that he would move on because the witnesses were
14 guessing at their answers, or something to that effect.
15 And Ms. Bauerlein would like to address that.

16 MS. SANDY BAUERLEIN: If I understand
17 correctly, he referenced that we were -- at those data
18 points on the retirement curve that they were a guess.
19 I can assure you they are not a guess. There is
20 underlying retirement data for both turbines and
21 generators for each one, and in some cases multiple,
22 for each one of those data points you see on the curve.

23 Because we are choosing to go and use an
24 ELG calculation method, if you recall from the
25 discussions yesterday, we do not need to break out

1 turbines versus generators because of the nature of the
2 calculation and how it -- it looks at a weighted
3 composite depreciation rate by subcomponentizing.

4 So we can have turbines and generators
5 together, but that is real retirement data. There's no
6 guess -- guessing in there.

7 MR. ANTOINE HACAULT: I don't -- I
8 haven't suggested that the data points were guesses,
9 members of the Board, if my suggestion came across that
10 way. It was -- my suggestion was that we didn't know
11 which of these ones were turbine ones and which ones
12 were not and that the curve was guessing at what would
13 happen with respect to the turbine data. That was my
14 point.

15 We have an undertaking that has been
16 distributed electronically. It was Undertaking number
17 1. It was a request made by Board member Kapitany of -
18 - during the MIPUG member presentation on June 2,
19 whereby MIPUG committed to provide a list of
20 alternative rate programs being assess -- assessed by
21 industrial customers in other jurisdictions in order to
22 allow them to be more competitive.

23 I have it listed as an undertaking at
24 transcript page 1,838. We will be refileing the first
25 page, because it contains a table and we -- before we

1 came here we thought it would be printed sideways, but
2 it isn't. It's printed in a very, very small print.
3 So we'll be providing revised page for people. But
4 electronically it has been distributed.

5

6 CONTINUED BY MR. ANTOINE HACAULT:

7 MR. ANTOINE HACAULT: We got
8 sidetracked. My -- I had two (2) questions with
9 respect to scope. And I thought it was going to be
10 pretty quick and it ended up being a pretty long
11 discussion.

12 Do you recall, Mr. Kennedy, the scope of
13 your 2010 report? This is by the time you've been
14 engaged to deal with IFRS issues. I'll just quote it
15 here and if it seems to make sense you can accept it
16 subject to check:

17 "The report sets forth the results of
18 the depreciation study conducted for
19 the depreciable assets of Manitoba
20 Hydro
21 quotation marks] ("Company")
22 defined term] to determine the annual
23 depreciation, accrual rate, and
24 amounts."

25 And it sets out:

1 "For financial reporting purposes
2 applicable to the original cost of
3 plant as of March 31 [comma], 2010."

4 Does that -- subject to check would that
5 be what you were asked to do in the 2010 report?

6 MR. LARRY KENNEDY: Yes, and that --
7 you -- you've read that correctly, sir. I think -- and
8 I hadn't noticed until you read it now. We probably
9 should have had the words 'in rate-making purposes' in
10 that scope as well. I'm not sure why we didn't, but it
11 ought to have been in there. And -- and until now I'd
12 never noticed that, so my apologies for missing those
13 words, but...

14 MR. ANTOINE HACAULT: Well, I think we
15 had covered that last time. And you didn't give that
16 kind of answer last time, but that's okay. We'll move
17 on. The next subject that I wanted to broach was the
18 net salvage issue. And first by way of background as I
19 understand previous answers I think this was Ms.
20 Bauerlein's calculations.

21 If we look at an ASL with salvage and
22 ASL without salvage there's about a \$540 million
23 difference, correct?

24 MS. SANDY BAUERLEIN: That is correct.

25 MR. ANTOINE HACAULT: Okay. And I

1 would suggest to you, Mr. Kennedy, that there's a fair
2 amount of academic literature on how to deal with net
3 salvage in depreciation studies?

4 MR. LARRY KENNEDY: I would agree.

5 MR. ANTOINE HACAULT: And there's
6 different academic views on how net salvage should be
7 dealt with in electric utilities?

8

9 (BRIEF PAUSE)

10

11 MR. LARRY KENNEDY: I think there's
12 different views. I'm not sure if they're academic
13 views. I think most textbooks would indicate that net
14 salvage is an appropriate inclusion in the depreciation
15 rate calculation.

16 MR. ANTOINE HACAULT: But my question
17 to you was that was there different views out in the
18 depreciation community as to how that might be dealt
19 with?

20 MR. LARRY KENNEDY: Yeah, and that --
21 that question is slightly different. Yeah, I think
22 your first question had the word 'academic' in it.

23 MR. ANTOINE HACAULT: Yeah.

24 MR. LARRY KENNEDY: The second question
25 did not. I would agree that there was debate about it,

1 but I think the academic view is it ought to be in the
2 depreciation rates.

3 MR. ANTOINE HACAULT: Okay. And, sir,
4 one (1) thing that's made -- been made clear in -- in
5 this proceeding is that leading up to 2010, it appeared
6 that under IFRS it would no longer be allowed.

7 Is that fair?

8 MR. LARRY KENNEDY: From a financial
9 disclosure pur -- point of view? You couldn't -- the -
10 - the IFRS standard does not allow the inclusion of a
11 cost of removal in the depreciation rate.

12 MR. ANTOINE HACAULT: We'll go back to
13 rate-making principles. Sir, have you ever opined that
14 for a Canadian utility that it might be a viable and
15 reasonable policy to remove net salvage value?

16 MR. LARRY KENNEDY: I have. It's, as I
17 mentioned I think yesterday, pretty -- pretty strongly
18 my -- my professional view is it should be in, but I do
19 understand the Company's policy views on -- on not
20 including it. And this would be not the first time
21 where it has not been included because of a company
22 policy view not to include net salvage in depreciation
23 rates.

24 MR. ANTOINE HACAULT: And in fact your
25 opinion was that that was a viable policy and a

1 reasonable policy, correct, sir?

2 MR. LARRY KENNEDY: I respect that the
3 Company makes reasonable policies when they -- when
4 they make them and, yes, I -- I view them as a viable
5 and -- and -- what was the word? Viable and reasonable
6 policy decision, as -- as I respect this Company's
7 decision to make a viable and reasonable policy
8 decision.

9 MR. ANTOINE HACAULT: And I would
10 suggest to you, sir, that you agreed it was viable and
11 reasonable considering the nature of the large plant
12 components and small amount of trans -- retirement
13 transactions?

14 MR. LARRY KENNEDY: You're -- you're
15 taking me a bit further than I'm comfortable with going
16 there, sir. I think I recognized the Company's policy
17 decision from a rate-making point of view to -- to
18 attempt to achieve a -- a more smoothed or a more
19 reasonable tolling. I'm not certain that I would view
20 it as reasonable and viable given the size or number of
21 transactions.

22 MR. ANTOINE HACAULT: So you believe
23 that you never opined, sir, that the nature of the
24 large plant components and small amount of retirement
25 transactions would make a no-net-salvage policy viable

1 and reasonable?

2 MR. LARRY KENNEDY: Oh, okay. I'm
3 sorry, sir. I misunderstood your first question. I
4 thought you meant in this case.

5 No, I -- I have -- I mean, I'm trying to
6 think of the circumstance, but I think I have made such
7 a statement in a study relating to a northern -- a
8 northern electric utility, yes.

9 MR. ANTOINE HACAULT: And you may have
10 also made it with respect to an Ontario utility, the
11 Ontario Power Generation?

12 MR. LARRY KENNEDY: Okay. Yeah. Sir,
13 yes, I -- I did there. That circumstance is a little
14 bit different, but yes.

15 THE CHAIRPERSON: Can you enlighten me?
16 I'm not sure I understand what you've been debating
17 here, and I want to make sure I ventilate it. But as I
18 understand it, you have recommended something different
19 to -- to OPG? Could you explain what -- what this --

20 MR. LARRY KENNEDY: No. And I think
21 we're -- we're being a little bit cute with words here,
22 Mr. -- Mr. Chairman. The -- the -- my -- my approach
23 and my firm belief is net negative salvage ought to be
24 included in the depreciation rate calculations.

25 However, I accept as a reasonable

1 company policy the -- the decision not to include it.
2 And generally, we -- we will see that in circumstances
3 such as we have here where there's really large other
4 forces causing rate pressures, and the Company says, We
5 just can't include that in the -- in the depreciation
6 rates. And the Company makes a decision to ask me not
7 to include it.

8 Now, in the circumstances that I was
9 taken to with regard to OPG, those circumstances were
10 slightly different. They -- they have set up a --
11 well, first off, they follow US GAAP.

12 But, more importantly, they have set up
13 very large -- and their type of equipment being largely
14 nuclear plant where we -- I made such an opinion, has
15 very large asset retirement obligations set up to deal
16 with the cost of removal of their plant.

17 And so, given their -- their
18 circumstances a very large, very unique plants that
19 have been set up to include asset retirement
20 obligations, I viewed it a reasonable not to put it in
21 their depreciation rate calculations.

22 So it's -- and it's one (1) of these
23 things that the transferability of -- of a decision
24 from one (1) company and one (1) jurisdiction to
25 another isn't always really -- really clear. And in

1 that case, it was a very unique situation.

2 THE CHAIRPERSON: I get that for a
3 nuclear plant. But what about the northern example
4 that you talked about?

5 MR. LARRY KENNEDY: Ah. In that case,
6 that case was made for virtually the same -- the same
7 reasons we had here where there was very large rate
8 pressures, and the utility -- and in that case, we
9 decided to suspend it.

10 We didn't say, We're -- we're not
11 including it. The company policy was not to include it
12 in -- in that specific rate application, in other
13 words, turn it off for like a one (1) -- one (1) test
14 period timing.

15

16 (BRIEF PAUSE)

17

18 CONTINUED BY MR. ANTOINE HACAULT:

19 MR. ANTOINE HACAULT: Now, just for
20 completeness of the record, remind us how many
21 generating stations and the value of those generating
22 stations in Ontario Power Corporation?

23 MR. LARRY KENNEDY: Oh, sir, I don't
24 have that information at hand. They have a large
25 number of generating stations. They have a mix of

1 hydraulic generating stations and nuclear generating
2 stations.

3 The nuclear generating stations are very
4 large dollar value stations, not all of which are
5 regulated. They have, for example, Bruce Power that
6 falls under a different type of regulation and a
7 different type of ownership structure and operating
8 structure as compared to the other nuclear plants.

9 Their hydraulic plants have been
10 historically divided between rate-regulated hydraulic
11 plants and non-regulated hydraulic plants, so there's a
12 bit of a mix there. They were folded more together in
13 -- in recent times. But off the top of my head, sir, I
14 cannot give you the value of their -- of their plant.

15 MR. ANTOINE HACAULT: Okay. For the
16 record, maybe we'll just go to page 123 of PUB book of
17 documents 20-6, which would give a listing of all the
18 hydraulic generating stations.

19

20 (BRIEF PAUSE)

21

22 MR. ANTOINE HACAULT: So there's three
23 (3) listed, and then the Darlington Nuclear Generating
24 Station. And, Diana, if you'd scroll down further?

25 There, Gannett Fleming is reporting that

1 there's another sixteen (16) hydroelectric generating
2 facilities, correct?

3 MR. LARRY KENNEDY: No, sir, Gannett
4 Fleming's reporting that we toured sixteen (16). There
5 was many, many more that we did not tour.

6 MR. ANTOINE HACAULT: Okay. And for
7 the -- for the record, at page 126, the second-last
8 paragraph is where Gannett Fleming makes a comment with
9 respect to the retirement -- or removal of cost of
10 retirement, correct?

11 MR. LARRY KENNEDY: I -- I think you're
12 looking at the -- the paragraph that says, "Gannett
13 Fleming also notes that any amount..." Is that the
14 paragraph you're referring to, sir?

15 MR. ANTOINE HACAULT: Yes.

16 MR. LARRY KENNEDY: I see that
17 paragraph.

18 MR. ANTOINE HACAULT: And this is
19 where, in the middle of the paragraph, you're noting,
20 sir, that:

21 "As previously noted in the 2011
22 depreciation study, while these are
23 not the traditional practices of
24 regulated utilities, Gannett Fleming
25 believes that the nature of the large

1 plant components and small amount of
2 retirement transactions makes -- make
3 this policy viable and reasonable for
4 OPG."

5 That was your opinion, sir?

6 MR. LARRY KENNEDY: That was my
7 opinion, sir, remembering OPG follows a more unit of
8 depreciation than a group depreciation. And -- then
9 that's reflected in the comment in that same paragraph,
10 that both the recording of gains and losses to income
11 and the charging of cost of removal is in accordance
12 with the provisions of USGAAP, but more in -- more in
13 line with the -- the unit accounting practice rather
14 than a group accounting practice.

15 MR. ANTOINE HACAULT: We'll move on now
16 to the discussion on accumulated depreciation variance,
17 please. And to start the discussion, if we could go --
18 go to MIPUG Exhibit 10-5, page 29, please, Diana?

19

20 (BRIEF PAUSE)

21

22 MR. ANTOINE HACAULT: Now, I apologize
23 in advance. This was the best copy we had of this
24 exhibit which was filed in the previous proceedings.
25 And at the very bottom of that document, we'll find a

1 number that relates to the accumulated depreciation
2 variance, correct, Mr. Kennedy?

3 MR. LARRY KENNEDY: That is correct,
4 sir.

5 MR. ANTOINE HACAULT: And I don't know
6 if you can zoom in. It's the -- at the bottom. The
7 number, as best as I can read it, it appears to be that
8 there's an accumulated difference between the booked
9 depreciation and the calculated dep -- depreciation of
10 some 117 million, it appears, two seventy-eight (278)?

11 MR. LARRY KENNEDY: I -- I had to take
12 my glasses off. That's a function -- that's a function
13 of my aging. And I read it as a hundred and seventeen
14 million, two hundred and seventy-eight thousand, zero
15 twenty-one (117,278,021).

16 MR. ANTOINE HACAULT: And just to
17 remind everybody, this was before Manitoba Hydro and
18 yourself had the opportunity to do a lot of subco --
19 component groups on all the various depreciation
20 categories in this study, correct?

21 MR. LARRY KENNEDY: Not only the
22 subcomponentizing, and that's correct, a massive amount
23 of data cleansing and -- and data establishment of --
24 of the appropriate installation dates on the retirement
25 activity.

1 MR. ANTOINE HACAULT: So although the
2 report says all the data's based on the historical
3 records of Manitoba Hydro, those -- there was further
4 drill-down in that data to come up with a 2010, which
5 is further refined by the 2014 report, correct?

6

7 (BRIEF PAUSE)

8

9 MR. LARRY KENNEDY: Excuse me for one
10 (1) second, Mr. Hacault.

11

12 (BRIEF PAUSE)

13

14 MR. LARRY KENNEDY: Sir, just to be --
15 to be really clear, the -- the 2005 study was developed
16 in a -- on a mix of aged and unaged data. It is
17 company data. It was -- we -- we followed a process
18 called computed mortality to statistically age a large
19 group of the data.

20 Your -- I think your point and -- was
21 that through the period of time from 2006 when we filed
22 the 2005 study to 2011 when we filed the 2010 study,
23 there was a significant amount of drill-down to further
24 define the account structure and further define the --
25 due to enhance the -- the original vintaging of the --

1 of the data, and then that has continued through to the
2 2014 study.

3 MR. ANTOINE HACAULT: And would you
4 agree with me then, sir, that the additional components
5 and what we've heard to be a seven (7) day job by Ms.
6 Hooper per -- per week for a couple of years has helped
7 us get a little bit more precise with respect to what's
8 happening on, number 1, the condition of assets, and
9 number 2, the grouping of assets with appropriate
10 lives?

11 MR. LARRY KENNEDY: And -- and I think
12 three (3), to understand the -- more precisely, the age
13 of the historic retirement transactions.

14 MR. ANTOINE HACAULT: So then if we
15 move to your 2014 study, which is under consideration
16 in this proceeding, and -- and Diana, that's at
17 Appendix 5.6. I'll take you first to an ASL
18 calculation. And maybe we'll just back up a little
19 bit.

20 In 2005, the calculation of 117 million
21 of variance was based on an ASL method with no salvage,
22 correct? Or was it with salvage?

23 MR. LARRY KENNEDY: Yeah, and -- and my
24 -- my rec -- I thought it was with salvage, and I'm
25 just going to turn to the page to make sure, but it --

1 it was with salvage, so.

2 MR. ANTOINE HACAULT: Okay. So then if
3 we want to have an idea of what this due diligence
4 work, to the extent that it was done, has helped us
5 understand, we -- if we're comparing apples to apples,
6 it would be useful to look at ASL with salvage in the
7 2014 study?

8 MR. LARRY KENNEDY: The -- you're
9 suggesting the apples to apples comparison would be to
10 go to the ASL with salvage?

11 MR. ANTOINE HACAULT: Right.

12 MR. LARRY KENNEDY: Correct.

13 MR. ANTOINE HACAULT: Okay. So --

14 MR. LARRY KENNEDY: And so just -- you
15 made a comment there that -- and I -- I just want to
16 take a little bit exception to, you said, "To the
17 extent it was done." And I want to make sure there was
18 no pejorative meaning behind that. There was an
19 incredible amount of work done.

20 MR. ANTOINE HACAULT: I just said that
21 because I understood the evidence yesterday that there
22 was still more work being done.

23 MR. LARRY KENNEDY: Okay. And that's
24 fair, yeah.

25 MR. ANTOINE HACAULT: Now, attached to

1 -- Diana, I'm not too sure how these pages work.
2 There's a January 14, 2015, letter from Gannett Fleming
3 that's about seven (7) or eight (8) pages in, and then
4 there would start to be tables.

5

6 (BRIEF PAUSE)

7

8 MR. ANTOINE HACAULT: The tables that
9 are attached, sir, to my understanding, are the ASL
10 method with salvage. And perhaps if we go to the first
11 page of the table, we'll be able to have Mr. Kennedy
12 confirm that.

13

14 (BRIEF PAUSE)

15

16 MR. LARRY KENNEDY: And, sir, you're
17 correct. There is salvage included in these
18 calculations.

19 MR. ANTOINE HACAULT: And while we're
20 on that page, if we go to account number and we go to
21 the left, one thousand one hundred and ten (1,110) 'D'
22 as in Donald -- it's under Pointe du Bois spillway --
23 we see that the life span date has been put to 2015.

24 Am I reading that table correctly?

25 MR. LARRY KENNEDY: That's correct.

1 MR. ANTOINE HACAULT: Okay. And if we
2 follow that line to the extreme right -- you do magic,
3 Diana.

4 MR. LARRY KENNEDY: She -- she really
5 does.

6 MR. ANTOINE HACAULT: We see that --
7 well, the first line -- if you go to the right with
8 your cursor, please -- there's a six million five
9 hundred and ninety-one thousand dollar (\$6,591,000)
10 amount, so that there's close to \$6.6 million that hit
11 the books in this GRA with respect to the Pointe du
12 Bois spillway, correct?

13 MR. LARRY KENNEDY: Certainly, sir.
14 And maybe I can explain that a little bit. You'll
15 notice --

16

17 (BRIEF PAUSE)

18

19 MR. LARRY KENNEDY: So if you -- if you
20 notice the -- on that same line where you -- you saw
21 the life span date ending in 2015, the -- the plant had
22 been including additions through its entire life until
23 fairly recently.

24 Their -- the move to a truncation date
25 or a life span date provides that all the investment in

1 that account needs to be recovered by December 31st,
2 2015, when that plant is, in essence, retired or came
3 out of service.

4 And so we -- we had a -- the -- the
5 depreciation study makes provision to recover the
6 investment in that -- the original cost of investment
7 by that December 31st, 2015, date. And I think Ms.
8 Hooper probably can provide a little bit more and
9 better insight into that as well.

10 MS. MICHELLE HOOPER: Yes. Mr.
11 Hacault, there was a -- a very recent decision made or
12 -- with adva -- with the Pointe du Bois spillway
13 replacement project. The timeline of that project,
14 they were able to tighten it up with a shorter
15 timeline.

16 So we had to -- there's a nearer
17 completion date now, so that -- that life span date was
18 changed to 2015 in the 2014 study. That was a very
19 recent decision. Previous to that, it had been 2017.

20 As a result of that decision, we needed
21 to adjust the value of our asset retirement obligation
22 given the shorter time frame. The other side of that
23 entry is -- it's debit assets, credit, asset retirement
24 obligations.

25 So we had a large addition to our assets

1 in twenty (20) -- in the 2014 year that has a very
2 short amortization period, which is why you're seeing
3 such a large amortization expense in that asset. That
4 doesn't relate to the physical assets themselves, but
5 rather to the underlying asset retirement obligation
6 associated with those assets.

7 MR. ANTOINE HACAULT: So that we've
8 dealt with the asset retirement obligation within the
9 depreciation, correct?

10 MS. MICHELLE HOOPER: The accounting
11 for asset retirement obligations when you establish an
12 obligation is to credit a liability and debit an asset.

13 So for the net present value of the
14 liability at the time that it is established or
15 adjusted, because the adjustment was made so close to
16 the end date of that facility, the timing of the
17 expenditure of cash, there was a -- a significant
18 dollar value adjustment required.

19 I'll also just note that the net salvage
20 percentage on that account should have been zero. It
21 was 10 percent. We didn't catch it until after the
22 depreciation study had been published.

23 Given the very short timeline till the
24 retirement of that asset, it was a difference in
25 expenditure for the 2015 year of about two hundred and

1 fifty thousand dollars (\$250,000) versus 2016. We did
2 not view it material enough to go back and revisit and
3 correct the report.

4 MR. ANTOINE HACAULT: Thank you for
5 that explanation. At the very end of this table, and
6 the page numbers in the schedules that I have is page
7 20, Diana. I don't know how far that... Page numbers
8 are to the left of the document, left side. Yeah. I
9 understand this sheet to also be the ASL with salvage
10 calculation, but it's the sheet that gives us the
11 accumulated depreciation variance for the new
12 generating station, Wuskwatim Power Limited
13 Partnership?

14 MR. LARRY KENNEDY: That's correct,
15 sir.

16 MR. ANTOINE HACAULT: And under that
17 methodology there's an accumulated depreciation for
18 this new plant of some five million two hundred and
19 eighty-six thousand dollars (\$5,286,000)?

20 MR. LARRY KENNEDY: That's correct,
21 sir. And I think Ms. Hooper's prepared to -- to deal
22 with that.

23 MR. ANTOINE HACAULT: And my
24 understanding is that this amount, consistent with the
25 company's policy, will be given back to ratepayers, so

1 to speak, over the remaining life of that project.

2 Is that correct?

3 MR. LARRY KENNEDY: Over the remaining
4 life of each account, yes.

5 MR. ANTOINE HACAULT: And some of those
6 accounts are a hundred twenty-five (125) years,
7 correct?

8 MR. LARRY KENNEDY: That -- that's
9 correct, sir. It's... One (1) minute.

10

11 (BRIEF PAUSE)

12

13 MR. LARRY KENNEDY: And, sir, we --
14 we'd like just to speak just for a second to just about
15 what that variance is, that \$5 million. And Ms.
16 Hooper's ready for that.

17 MS. MICHELLE HOOPER: There is an IR on
18 the record that explains that variance. And I'm just
19 looking for that IR.

20 MR. ANTOINE HACAULT: I think I have
21 reference to it to assist you. It's in -- you can find
22 it in the PUB book of documents. And I -- and it's at
23 page 264, I think, where the explanation is.

24

25 (BRIEF PAUSE)

1 MR. ANTOINE HACAULT: Now, the first
2 thing we note is that there's a different number. And
3 we could take the Board to that, but it's the ELG
4 number of \$4.3 in accumulated...?

5 MS. MICHELLE HOOPER: Yes, that's
6 correct. This IR addressed the variance from the ELG -
7 - in the ELG calculation, but the underlying reasons
8 for the variance are the same --

9 MR. ANTOINE HACAULT: Okay.

10 MS. MICHELLE HOOPER: -- and figures
11 would just be slightly different.

12 MR. ANTOINE HACAULT: And the Company
13 explains how that 4.3 million -- the use the word
14 'surplus' of booked accumulated depreciation will be
15 amortized over the life of the project, correct?

16 MS. MICHELLE HOOPER: Yes, that's
17 correct.

18 MR. ANTOINE HACAULT: And at the bottom
19 of the page we explain that there's 10 percent of that
20 4.3 million that would be amortized over six (6) years,
21 correct?

22 MS. MICHELLE HOOPER: Yes, but this is
23 not the IR I was looking for. There's actually another
24 IR that explains the underlying reasons for the
25 variance rather than just how the variance will be

1 recovered.

2 MR. ANTOINE HACAULT: And I understand
3 that the underlying reasons is, and I may get it wrong,
4 but that Manitoba Hydro used some method of starting
5 midway through the year, and that didn't correspond
6 with all the in-service of the turbines in the
7 generating station, correct?

8 MS. MICHELLE HOOPER: The methodology
9 used in a depreciation study uses a simplifying
10 assumption of a half-year rule for additions to
11 property plant and equipment. For actual depreciation
12 calculations Manitoba Hydro used the actual in-service
13 dates for WPLP.

14 So as a result, there is a timing
15 difference per se between the figures shown in the
16 depreciation study and actual. It's not a real
17 variance, it's really just a timing difference.

18 MR. LARRY KENNEDY: And -- and, sir,
19 that's some -- as I -- as I discussed yesterday with, I
20 think, one (1) of the panel members, this -- this
21 accumulated depreciation variance isn't money in the
22 pocket or anything. It's -- it's a snapshot in time of
23 a theoretical calculation to the book -- to the book
24 number.

25 And this is a good example where the

1 theoretical calculation makes some assumptions, you
2 know, along the mid-year which is the widely accepted
3 rule for, you know, for a number of cases, for rate
4 making, but definitely in the -- the completion of
5 depreciation studies and has been for a long time.
6 However, there is some assumptions in that theoretical
7 calculation that give the appearance of maybe a surplus
8 or a deficiency that is really -- it's -- it's really
9 not money in the bank, if you will. It's -- it's a
10 snapshot on time based on those theoretical
11 assumptions.

12 MS. MICHELLE HOOPER: And I've just
13 located that IR. And again, this is respect to the ELG
14 method of depreciation. If we turn to the response to
15 MIPUG/MH Round 2, Question 17, there's an explanation
16 for the variance under the ELG methodology for WPLP and
17 it is largely a timing difference.

18 We should note that that's equivalent to
19 approximately two (2) months of depreciation for the
20 WPLP facilities.

21 MR. ANTOINE HACAULT: And if you could
22 flip back to page 264 and 265 -- or 265 of the book of
23 documents. That timing difference will result in that
24 \$4.3 million being fully amortized within a hundred and
25 nineteen (119) years. It's at the top of page 265.

1 MS. MICHELLE HOOPER: Yes, that's
2 correct, over the entire lifespan of the WPLB
3 generating station.

4 MR. ANTOINE HACAULT: And it takes
5 thirty-two (32) years before we see 50 percent
6 amortization of this assumption, which was -- led to
7 the \$4.3 million?

8 MS. MICHELLE HOOPER: Mr. Hacault, yes,
9 but as a reminder, this isn't a real variance. This is
10 just a timing difference between the simplifying
11 assumptions used in the depreciation study versus
12 actual depreciation. The actual depreciation charged
13 to WPLP based on its actual in service dates was reaso
14 -- was appropriate.

15 MR. ANTOINE HACAULT: And if we go to
16 Appendix 5.6.

17

18 (BRIEF PAUSE)

19

20 MR. ANTOINE HACAULT: Let's see, there
21 may be an easier way to find this for you, Diana. I
22 think it's actually found at the -- page 266 also of
23 the book of documents we were just in.

24

25 (BRIEF PAUSE)

1 MR. ANTOINE HACAULT: The Board book of
2 documents extracts from the 2014 study, correct?

3

4 (BRIEF PAUSE)

5

6 MR. LARRY KENNEDY: That's correct,
7 sir.

8 MR. ANTOINE HACAULT: And by this time
9 we've taken out net salvage from the calculation,
10 correct?

11

12 (BRIEF PAUSE)

13

14 MR. LARRY KENNEDY: That's correct,
15 sir.

16 MR. ANTOINE HACAULT: And if we go to
17 the bottom of that heading, the accumulated
18 depreciation variance, which was categorized as a
19 surplus in one (1) of the answers by Manitoba Hydro is
20 now six hundred and two thousand six hundred and
21 twenty-four (602,624) -- or 602,624,000. I always make
22 mistakes on those numbers.

23 MR. LARRY KENNEDY: Your second number
24 is correct. You've got to watch those zeros and the
25 decimal place.

1 MR. ANTOINE HACAULT: Am I -- am I --
2 this, as I understand the Corporation's evidence, Ms.
3 Hooper, is just an issue of timing as to how we're
4 going to deal with that variance of some \$600 million?

5 MS. MICHELLE HOOPER: Mr. Hacault, I
6 was referring to the WPLP variance as opposed to the
7 Manitoba Hydro variance. This variance that you're
8 looking at here of \$602 million relates to -- there's a
9 number of factors that play into that. All the change
10 in assumptions with respect to life expectancy, removal
11 of ELG, and also remove -- or switch to ELG, and also
12 removal of net salvage all play a factor in the -- the
13 magnitude of that variance.

14 MR. LARRY KENNEDY: And, sir, as Mr.
15 Williams and I were talking this morning, very rarely
16 would the actual retirement profile fall exactly in
17 accordance with that smoothed Iowa curve. And those
18 variances would -- would drive some of these variances
19 as well.

20 MR. ANTOINE HACAULT: And you've
21 correctly stated, I would suggest, that we've been
22 educated since 2005 by the further sub-categories, the
23 further information on lives, and we've moved from 117
24 million in that variance up to six hundred (600) and
25 some million dollars today, correct?

1 MR. LARRY KENNEDY: The -- the
2 arithmetic or the numbers you're reading are correct,
3 sir. I would remind that the Company has, over that
4 same period of time, installed approximately \$4 billion
5 of additional investment. And the larger your base,
6 the -- it would be expected that these variances would
7 -- would rise as well.

8 In other words, the Company's added
9 approxi -- the -- the base, the original cost base, of
10 the Company has increased by approximately 50 percent
11 over that -- that ten (10) year period or eight (8)
12 year period.

13 MR. ANTOINE HACAULT: And having given
14 that it's a Crown corporation and it's not a private
15 utility which would be complaining about over-
16 depreciation and the investors being annoyed by that, I
17 understand Manitoba Hydro's view is that having that
18 kind of accumulated surplus isn't an issue except for a
19 timing issue, correct?

20 MR. LARRY KENNEDY: Sorry, I'm going to
21 let Manitoba Hydro speak to that. But I'm -- I want --
22 I want to state that we see these kind of variances in
23 -- in private industry. If we look at the \$600 million
24 variance on a -- on an original cost base of 14
25 billion, we see similar magnitudes of variance like

1 that in the private corporations as well.

2 MR. ANTOINE HACAULT: But that kind of
3 a variance is not causing any concern for Manitoba
4 Hydro that we've got -- I call it an over-depreciation,
5 but it's an accumulated variance of some 600 million?

6 MS. MICHELLE HOOPER: Mr. --

7 MR. LARRY KENNEDY: Oh, go ahead.

8 MS. MICHELLE HOOPER: -- Mr. Hacault,
9 it's the position of the company that the depreciation
10 that was charged to date was based on the best
11 information at the time using the approved depreciation
12 rates at the time. And we have not overcharged our
13 customers.

14 And as Mr. Kennedy has indicated, it is
15 common utility practice, and we believe it's
16 appropriate in this instance, to amortize that
17 difference back to customers over the remaining life of
18 the plant.

19 MR. DARREN RAINKIE: Mr. Hacault, I
20 would also add, based on discussions we had yesterday,
21 if we look at -- if we -- I don't know if we need to go
22 there, but if we look at slide 77 of our presentation
23 from -- from yesterday, we are actually reducing
24 depreciation expense by over 105 million in the next
25 ten (10) years.

1 And the difficulty of course is, from --
2 from our perspective, that when -- when you look at the
3 reductions in depreciation that we're looking at, we're
4 seeing the -- a wide dispersion between what we're
5 investing on behalf of customers and the depreciation
6 that we're booking.

7 It's been a discussion that the Chair
8 and I had since day 1. Back ten (10) years ago, you'd
9 look at this, and our expenditures were relatively in
10 line with the depreciation. Depreciation is what we
11 use to generate the cash to make the investments to
12 keep our -- our plant sustaining.

13 We've already, through removing net
14 salvage value, primarily reduced the overall
15 depreciation by \$105 million in the next ten (10) year
16 each year. I'm not sure how much for -- more we want
17 those lines to diverge that we're investing \$6- or \$700
18 million a year, and we're just going to decrease
19 depreciation.

20 And is that somehow going to help
21 customers in the end? What it's just going to do is
22 build up rate pressures in the end. So once again, if
23 we look at this from an overall perspective and the
24 system-wide perspective, I think Manitoba Hydro's been
25 very responsible in terms of the overall mix of how

1 it's looking at its depreciation in the next number of
2 years.

3 Certainly, if you want to pull one (1) -
4 - given the size of Manitoba Hydro, you can always pull
5 one (1) factor out and say, Boy, this is a great
6 factor. But once again, if we're going to make a
7 determination on an overall revenue requirement and
8 look at this over the next number of years in terms of
9 what we're doing, then I think the conclusions are
10 fairly simple. MR. ANTOINE HACAULT: So, sir, I heard
11 one (1) adjective in there, that it was a great factor.

12 Would you at least agree with me that
13 seeing a positive surplus in depreciation of some 600
14 million is a positive factor?

15 MR. DARREN RAINKIE: Oh, I'm not sure
16 if it's positive or negative. As we've indicated,
17 depreciation is an accounting estimate. And every time
18 you do a new study you revise that accounting estimate,
19 so it's a result. But I think what we're trying to do
20 at Manitoba Hydro is look at the overall result and
21 plan our system and plan our rate increases that make
22 sense as opposed to get -- to pull one (1) piece of the
23 pie out and -- and be overly focussed on them.

24 MR. LARRY KENNEDY: And, Mr. Hacault,
25 and I think it's important to understand that we've

1 made some very significant life estimate extensions in
2 the period from 2005 through 2014. We've talked about
3 poles going from thirty-one (31) years to fifty-five
4 (55) years to -- to sixty-five (65) years.

5 Those extensions in those life are --
6 and the recognition of that -- those changed estimates
7 will, to a large degree, drive this appearance of an --
8 of an over collection.

9 And so the -- that variance is -- is
10 caused by the difference in -- in retirement profiles
11 but also in the recognition that assets are in fact
12 lasting longer on newer and better and -- and increased
13 recognition.

14 We work -- we work very closely with the
15 Company's operating staff in developing these
16 estimates. We heard a lot of discussion from --
17 evidence from Mr. -- Mr. Morin and Mr. Read this
18 morning. I think it's important for the panel to
19 understand that Mr. Read and Mr. Morin are both part of
20 the depreciation team that was formed by Manitoba Hydro
21 to review these estimates.

22 It's not as if they work in isolation
23 and we work in isolation. I -- I was out here talking
24 to Mr. Read in particular on at least three (3) or four
25 (4) occasions, and he reviewed the results of the study

1 to make sure you can agree with him. And that's
2 precisely to be able to make the type of life
3 adjustments that -- that we make, and which may lead to
4 the appearance of a -- of a over collection; it's not.
5 It's simply a variance between a theoretical number and
6 a booked number.

7 MR. ANTOINE HACAULT: I didn't
8 anticipate a question on whether or not, I don't think
9 I got an answer, a 600 million positive variance was a
10 good thing or a bad thing. Let me put it the other
11 way.

12 If we saw in your depreciation -- in the
13 depreciation study that there was actually an under-
14 collection of depreciation of \$600 million, would that
15 be seen as a good thing or a bad thing?

16 MR. LARRY KENNEDY: Sir, I would
17 suggest it's -- it's the exact same as we see here.
18 It's a difference between a theoretical number and a --
19 and a booked -- an accounting booked number.

20 I would suggest if we saw a deficiency
21 of \$600 million there may not be quite so much
22 excitement about trying to true that up over a smaller
23 period of time than the composite remaining life.
24 Composite remaining life is the fair and most reliably
25 used mechanism for -- for truing up these surpluses.

1 MR. ANTOINE HACAULT: So, Mr. Rainkie,
2 would minus 600 million in that account be a good thing
3 or a bad thing?

4 MR. DARREN RAINKIE: It's neither a
5 good thing or a bad thing, sir. I think we've had a
6 consistent practice over the year of looking at these
7 variances over the remaining life of the -- the assets,
8 which is consistent with financial reporting, by the
9 way. And we've always used financial reporting. And
10 we always use the same methodologies for financial
11 reporting and rate setting.

12 So if it was that result we'd be looking
13 at doing the very -- the very same thing. But we can
14 hardly afford to cherry pick in an era where we're
15 reducing depreciation expense by as much as what we're
16 talking about here. It's just not a reasonable -- a
17 reasonable thing to do.

18 I think Manitoba Hydro's already made
19 provision by removing negative salvage, which we
20 believe is -- is a sound principle for rate setting.
21 And I know I'm a broken record on this over the last
22 fifteen (15) days, but I can't overemphasize that
23 enough. To now then look at that variance and try to
24 amortize it over a shorter period of time I think is
25 really a double dipping, if you like.

1 As Mr. Barnlund said, no ge -- no good
2 deed goes unpunished. I think we have to be careful
3 that we're not getting into that territory.

4 MR. ANTOINE HACAULT: Just to be clear,
5 my question wasn't and didn't imply changing how you
6 were going to be dealing with that now amount. And
7 thank you very much, members of the panel, for having
8 done your best to answer my questions. And, members of
9 the Board, that completes the review of the three (3)
10 subjects I had indicated I would cover.

11 THE CHAIRPERSON: Thank you, Me.
12 Hacault. Is there any other business to attend to?
13 I'm -- Mr. Williams, you have -- I take it you've had
14 the opportunity to talk to Ms. Van Iderstine regarding
15 the issue that you raised earlier this morning and --
16 and what was the outcome of that discussion? Asset con
17 -- asset condition index.

18 MR. BYRON WILLIAMS: I think the
19 discussion is ongoing. So I'm expecting My Learned
20 Friend will -- will report back to us and then I guess
21 we'll see if we resume the discussion on Monday or not.

22 MS. HELGA VAN IDERSTINE: And I can add
23 -- oops. I can add to the -- to that just one (1)
24 other thing. Manitoba Hydro will, over the course of
25 the next aft -- the afternoon and the next couple of

1 days, as undertakings are available email them to the
2 parties so that even though -- though they will not yet
3 be exhibits they will be available as they become
4 available to them so that they're not waiting till
5 Monday morning if that's possible. Although some may
6 have to come on Monday.

7 THE CHAIRPERSON: Mr. Hombach, did you
8 have something you'd like to...

9 MR. SVEN HOMBACH: I'm just wondering
10 if we could stand down for one (1) minute so that I can
11 canvass Intervenor counsel as to their position in
12 light of Ms. Van Iderstine's comments.

13 THE CHAIRPERSON: Okay. Let's -- let's
14 do that. Let's stand down. Thank you.

15

16 --- Upon recessing at 11:29 a.m.

17 --- Upon resuming at 11:35 a.m.

18

19 MR. SVEN HOMBACH: Mr. Chairman, I've
20 had an opportunity to -- to canvass with counsel and
21 I've been advised by several Intervenor counsel that
22 they may want to make some procedural recommendations
23 on the record. So I would suggest that the panel
24 provide them with this opportunity. And to the extent
25 that any type of procedural ruling is sought from the

1 Board perhaps that could be delivered on Monday.

2 THE CHAIRPERSON: Thank you, Mr.

3 Hombach. We'll start with you, Me. Hacault.

4 MR. ANTOINE HACAULT: First, as I had
5 before, I'd like to acknowledge the very good effort of
6 Manitoba Hydro to try and deal with undertakings on a
7 timely basis. Having said that, having responses
8 Monday morning puts us in a very, very difficult
9 situation. Our witnesses are testifying Monday.

10 I don't even know whether I can make
11 meaningful comments Monday morning. Most witnesses
12 have been asked by one (1) of the Intervenors or
13 Manitoba Hydro if we'll have the opportunity to ask for
14 undertakings, or maybe the Board as a result of some of
15 the evidence that Pat Lee is going to give or Mr.
16 Bowman's going to -- to give. So it puts me in a very
17 difficult situation because I can't even anticipate
18 whether or not we might have undertakings that we need
19 to respond to as a result of the testimony that's going
20 to be given on Monday.

21 My other concern and I guess every
22 hearing is very important, but we've heard initial
23 comments about this is a start of a request for
24 Manitoba Hydro basically, as I understand it, for three
25 point nine-five (3.95) for a long time. And I think

1 the ruling of this Board on issues such as pacing and
2 prioritization are going to be very important and very
3 significant as to how rate-making evolves over the next
4 decade or two (2).

5 And my request would be that if the
6 Board can find the two (2) days, but in the next two
7 (2) weeks, I would hope that that wouldn't cause a huge
8 delay in -- in the big scheme of things. And of, you
9 know, financial and otherwise. It would enhance for
10 sure the quality of information and synthesis that we
11 can give of the evidence that's been given over the
12 last three (3) weeks.

13 And my firm belief is that it would be
14 beneficial to all parties, I may be presumptuous in
15 speaking to Manitoba Hydro, but if it gets our
16 submission first thing Wednesday morning they have to
17 hunker down and although they have those extra days to
18 prepare an initial submission they've got two (2) days
19 to respond and it would I think be beneficial to all
20 parties to give us a little breathing room, if that's
21 at all possible, to deal with some of these challenges.

22 So my request to the Board would be that
23 it consider whether or not there's a couple days and --
24 and, you know, I don't know if it's two (2) weeks or
25 three (3) weeks, I understand the Board's busy next

1 week -- or the week after, to be able to sit to do
2 this.

3 And I certainly would -- and I'm not
4 suggesting that we have to do it on a day other than a
5 weekday, but we have done that in the past. So that's
6 my request for consideration of -- of the Board and the
7 reasons for that request.

8 THE CHAIRPERSON: Thank you, Me.
9 Hacault. Mr. Williams, please?

10 MR. BYRON WILLIAMS: Yeah, and I'll
11 just indicate that our -- our client is supportive of
12 Mr. Hacault's request. And just -- just kind of a rule
13 of thumb in terms of preparing closing argument, we
14 normally allow ourselves at least five (5) clear days
15 between the hearing, like in -- in our -- now, my
16 client is in a more fortunate position than Me.
17 Hacault, because I'm going to lose Sunday on witness
18 preparation, but his team is losing their entire
19 weekend, because they have to work with both Mr. Bowman
20 and -- and Ms. Lee.

21 And I've been kind of insistent on his
22 behalf because I don't -- I don't see it personally as
23 being feasible for their team to prepare a fulsome
24 argument for -- for Wednesday. I would say that that
25 issue is compounded by -- by the undertakings and we do

1 not attribute any blame to Manitoba Hydro. They've
2 been working very hard on this.

3 The other point that I think he makes is
4 quite important. And we will be -- because we got the
5 undertakings we required earlier, the ones that we got
6 yesterday, there's one (1) more that we're looking for,
7 but we -- we received what we needed yesterday and
8 we've been working with them, we will be filing a -- a
9 lengthy oral argument, but a lengthy -- a somewhat
10 lengthy written material as well.

11 And just from Mr. Hacault's perspective,
12 I think that will be very challenging for Hydro to --
13 to respond in two (2) days as well, so. I think
14 there's -- there's good merit in his idea. I cannot
15 say that I feel our client will be prejudice, but I
16 think the process would be because of the impact upon a
17 very important Intervenor and -- and perhaps other
18 Intervenors.

19 THE CHAIRPERSON: Mr. Orle, have you
20 got any comments, please?

21 MR. GEORGE ORLE: Thank you, Mr.
22 Chairman. We're generally very supportive of any
23 requests that Mr. Hacault wishes to make. And I think
24 the Board recognizes that to a large extent, many of us
25 other Intervenors rely upon Mr. Hacault in many of the

1 technical areas to put our position forward and we rely
2 upon that.

3 So to whatever extent he can have the
4 ability to put together the best argument that he can,
5 that would also be helpful to the -- well, to this
6 Intervenor, certainly.

7 THE CHAIRPERSON: Thank you, Mr. Orle.
8 Mr. Masi, please?

9 MR. TOMAS MASI: Mr. Chairman, we're
10 also supportive of Mr. Hacault's request. I do want to
11 point out similar to what Mr. Williams stated, that
12 given our scope in this proceeding, we're not as
13 prejudiced as Mr. Hacault is in terms of closing
14 submissions. So I just want to put that on the record.

15 THE CHAIRPERSON: I believe there's
16 somebody from GAC in the room. Would you care to
17 comment, please?

18 MR. DAVID CORDINGLEY: Thank you, Mr.
19 Chairman. I'm hesitant to speak on behalf of Mr.
20 Gange, whose parium (phonetic) will deliver the close.
21 So perhaps I'll take no position at this point, but I -
22 - I do recognize the position that Mr. Hacault is put
23 in and it might be slightly more difficult than our --
24 our client in preparing.

25 So at this point I'll take no position

1 except to say that depending on the -- the undertakings
2 that are owing to GAC and -- and when those are
3 received, Mr. Gange may take a different position
4 Monday morning, or may want to speak further to that.

5 THE CHAIRPERSON: Thank you. Ms. Van
6 Iderstine, please?

7 MS. HELGA VAN IDERSTINE: Thank you
8 very much. So Manitoba Hydro certainly was prepared to
9 argue on Friday and stay with the -- the schedule as it
10 was set. And our -- but our only concern -- and so
11 we're at your disposal -- but we are at your disposal
12 to do what -- what you see fit on this.

13 The -- the two (2) issues we would raise
14 though in terms of if there's going to be any changing
15 to the schedule would be that Manitoba Hydro -- in the
16 current schedule there is an opportunity for Manitoba
17 Hydro to have some space between the submissions made
18 by the Intervenors and then -- which then allows
19 Manitoba Hydro to properly respond to those iss --
20 those.

21 And -- and that's important to Manitoba
22 Hydro in the sense that the parties have not had --
23 many of them have not had to put forward any position
24 saying how they're responding to the application other
25 than through their cross-examination. So the first

1 time Manitoba Hydro really hears what position they're
2 advancing is in their argument. And as such the --
3 Manitoba Hydro's argument will be more focused,
4 shorter, more directed to the issues if we have that
5 space. So that's one (1) issue.

6 And the second -- the second part is,
7 you know, in terms of -- we wouldn't want to be in --
8 as a result of this in a situation where the
9 Intervenors are having to respond after Manitoba Hydro
10 because that tends to look like rebuttal unfortunately.
11 The temptation for lawyers to always want to have the
12 last word is just too high. So that would be a
13 secondary concern, but the first one (1) really is the
14 ha -- the ensuring that we have the proper time to
15 respond. But otherwise we don't have any concerns
16 about Mr. Hacault's respon -- request.

17 MR. BYRON WILLIAMS: Mr. Chair, if --
18 if -- just --

19 MS. HELGA VAN IDERSTINE: Sorry. Sorry
20 --

21 MR. BYRON WILLIAMS: Oh, sorry.

22 MS. HELGA VAN IDERSTINE: -- if -- I
23 wouldn't mind. There is a significant cost to the --
24 to the -- to Manitoba Hydro of any delay so putting off
25 the decision -- the argument puts off your decision-

1 making ability obviously and that is of some concern to
2 Manitoba Hydro. So we are concerned about the time
3 frames. And, Mr. Rainkie...

4

5

(BRIEF PAUSE)

6

7 MS. HELGA VAN IDERSTINE: Yes, so Mr.
8 Rainkie is suggesting that given that it's
9 approximately four dollar (\$4) -- \$4 million a month is
10 the impact that if this causes you some grief in terms
11 of putting together the -- the reasons for decision
12 ultimately then an order with reasons to follow would
13 certainly be helpful so they would know what their
14 financial position is likely to be. Thank you.

15

THE CHAIRPERSON: Thank you, Ms. Van
16 Iderstine. Mr. Williams, please.

17

MR. BYRON WILLIAMS: The only thing I
18 was going to suggest, Mr. Chair, is that counsel meet -
19 - it -- obviously this is up to the Board and so what -
20 - we will be respectful of that. But it might be
21 useful for counsel to meet immediately after and -- and
22 do a proposed timeline.

23

What I am thinking is having -- if there
24 are going to be written comments to have them prepared,
25 not for this Monday, but the Monday afterwards and then

1 have argument sometime that -- that week allowing
2 Manitoba Hydro to have sufficient time to get anything
3 written and a bit more time to absorb it. So my
4 suggestion would be if -- that there might be at least
5 some value in -- in counsel meeting immediately after
6 this and looking at a -- a time frame.

7 THE CHAIRPERSON: Frankly, this panel
8 is not available for two (2) weeks beyond this week --
9 beyond next week, rather. So, you know, it would mean
10 a -- a length -- any -- any kind of a delay beyond next
11 week suggests that we wouldn't have an order until well
12 into July. And that's not a prospect that I relish
13 simply from the perspective that we have limited avail
14 -- limited means during that time period within the
15 PUB.

16 So in any case my -- my -- I'm
17 optimistic that Manitoba Hydro can generate some data
18 before too long. And then this problem will not have
19 to be addressed by a de -- changing the schedule. In
20 any case let's -- let's have the counsels meet and
21 perhaps somebody can sever the knot. So with that I
22 will adjourn today's proceedings. And we'll meet again
23 Monday morning at nine o'clock. Me. Hacault?

24 MR. ANTOINE HACAULT: Sorry. I'm not
25 big on working on weekends, but you know, if there's a

1 real concern about this and obviously I apologize for
2 even suggesting it to the Board. But, you know, giving
3 us even until next Thursday and then Hydro on Saturday
4 makes a huge difference for us. So again, I -- I'm not
5 suggesting that the Board has to do anything along
6 those lines, but we -- if there's any kind of solution
7 that can give us a bit more time we would really,
8 really appreciate it.

9 THE CHAIRPERSON: Okay. That -- I
10 think that this is in line with my thinking. But in
11 any case I need to consult my colleagues to see whether
12 or not that's possible. But in any case we will
13 adjourn for today and I wish you all a -- a good
14 weekend. Those of us that will continue working, I
15 work -- I hope that you get a bit of time off. Thank
16 you.

17

18 (PANEL STANDS DOWN)

19

20 --- Upon adjourning at 11:48 a.m.

21 Certified Correct,

22

23 _____

24 Sean Coleman, Mr.

25