



“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

June 17, 2015

Pages 4136 to 4427

	APPEARANCES	
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10	Meghan Menzies	)
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21		
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1 --- Upon commencing at 9:02 a.m.

2

3 THE CHAIRPERSON: Good morning. I  
4 believe that we can start today's proceedings. Today  
5 is the first day of three (3) days of closing  
6 submissions in Manitoba Hydro's 2014/'15 and 2015/'16  
7 general rate application.

8 The Board had set aside today to hear  
9 submissions from Board counsel and Intervenors other  
10 than MIPUG. MIPUG will deliver its closing submissions  
11 at nine o'clock tomorrow morning. Manitoba Hydro's  
12 closing submissions will be delivered on Friday  
13 starting at one o'clock in the afternoon.

14 Now, there's a bit of a change in the  
15 schedule in as much as we will be hearing from CAC, Mr.  
16 Williams, tomorrow because -- Mr. Peters.

17 MR. BOB PETERS: My apologies for  
18 interrupting, Mr. Chairman. It appears that Mr.  
19 Williams needs a teenager to help him with his IT  
20 platform at work, and I think Ms. Menzies doesn't  
21 qualify.

22 So Mr. Williams encountered some  
23 information technology struggles last evening. I do  
24 have a voice mail at about 1:30 in the morning with --  
25 I'm not sure it's fit for transcript, but Mr. Williams

1 can explain his issues, Mr. Chairman.

2 I -- I think what the informal  
3 discussion has been, subject to the panel's  
4 concurrence, would be that there are undertakings that  
5 parties will speak to. There would be my closing  
6 submissions in terms of a summary, then Mr. Gange on  
7 behalf of Green Action Centre. And after Mr. Gange, it  
8 would be Mr. Williams today.

9 He is missing some of his PowerPoint  
10 slides, but he would be prepared to give his entire  
11 closing submission today and file the remaining  
12 PowerPoint slides with the Board if not late today,  
13 then first thing tomorrow morning.

14 And perhaps he could be afforded a brief  
15 opportunity, no more than a minute a slide would be my  
16 -- my suggestion, for the remaining thirty (30) or  
17 forty (40) slides, whatever he has that couldn't be  
18 produced last night because of the information failure.  
19 Following Mr. Williams, I believe it will be Mr. Orle  
20 and Mr. Masi.

21 And then as you mentioned, Mr. Chairman,  
22 tomorrow morning will be Mr. Hacault on behalf of  
23 MIPUG. So if the panel is agreeable to proceeding with  
24 the Consumer Coalition's closing submission,  
25 recognizing that they'll only have 75 percent of their

1 PowerPoint available to you, then that would be, I  
2 believe, their preference today.

3

4 (BRIEF PAUSE)

5

6 THE CHAIRPERSON: Good. Fine then, Mr.  
7 Peters, we will be hearing from Mr. Williams tomorrow  
8 then. Thank you. I'd like to thank my panel members,  
9 Ms. Kapitany, Mr. Bel, and Mr. -- and Dr. Grant for  
10 their dedication and devo -- and the devotion of their  
11 time to presiding at this public hearing and to the  
12 general rate application.

13 While the closing submissions may signal  
14 the end of the hearing for some, it is not the end of  
15 the work for the panel. I also thank all the  
16 participants for their diligent work in keeping aligned  
17 with the hearing schedule. Before I call on Mr.  
18 Peters, I will start with Manitoba Hydro's counsel to  
19 advise if there are any outstanding undertakings.

20 Are there any outstanding undertakings  
21 at all?

22 MR. BRENT CZARNECKI: Thank you, and  
23 good morning, Mr. Chairman, panel members. I -- with  
24 the exception of -- of one (1) or maybe two (2) that  
25 Mr. Cathcart has brought to my attention, I think they

1 are all completed and I'm going to look into those two  
2 (2) issues this morning.

3 I do have one other issue that I would  
4 like to raise that was brought to my attention last  
5 night and this morning, and it's with respect to the  
6 MIPUG undertaking of the 2 1/2 percent scenario that  
7 Mr. Bowman had run, and yesterday he provided some of  
8 his analysis in a live Excel spreadsheet.

9 Ms. Carriere and her fine people have  
10 looked at it and have discovered some errors which I  
11 would probably classify as being very significant, if  
12 not fatal, to the analysis that he's presented. And I  
13 was intending to speak to my friend, Mr. Hacault, this  
14 morning but he's not here, so I haven't had the  
15 opportunity to raise it with him directly.

16 But what we were envisioning as a  
17 potential solution is to have our folks run the full  
18 IFF incorporating the 2 1/2 percent scenario that Mr.  
19 Bowman had spoke of so that the Board has an apples to  
20 apples to apples be -- of the scenario so that our  
21 position and response is clear to the Board. And that  
22 may be satisfactory for the panel's deliberations.

23 THE CHAIRPERSON: Now, is it possible  
24 for you to get a copy of that to Mr. Hacault today?

25 MR. BRENT CZARNECKI: They're working

1 on the run right now, so I've been told that after  
2 lunchtime it will be available, and that would be my  
3 intention. And even during the break I'm going to see  
4 if I can speak to Mr. Hacault to clarify what we  
5 believe the errors to be.

6

7

(BRIEF PAUSE)

8

9 THE CHAIRPERSON: Is it a case that  
10 they use different assumptions, or is -- is the case  
11 that...

12 MR. BRENT CZARNECKI: My understanding,  
13 Mr. Chair, is there's an issue with the vacancy rate  
14 where he may have added an 8 percent to a 4 percent,  
15 which significantly impacts the results. The other  
16 issue has to do with the inclusion or not of net  
17 income, I believe, or a different result. And I'm  
18 speaking on the briefing that I had this morning, so I  
19 don't know fully but what I have been told is the  
20 errors are pretty significant.

21 THE CHAIRPERSON: Anyways, that -- that  
22 discussion will occur before tomorrow so he has a  
23 chance to -- to include that as part of his closing  
24 arguments, or at least address it. Thank you.

25 MR. BRENT CZARNECKI: We'll intend to

1 provide him as much notice as possible in the  
2 circumstances. So thank you, Mr. Chair.

3 THE CHAIRPERSON: So I'm not sure I  
4 captured those undertakings that are not complete. You  
5 said there was a couple of them?

6 MR. BRENT CZARNECKI: Yes, they're  
7 Undertakings number 61 I'm going to check into, which  
8 has to do with the insulation plan and the amount of  
9 uptake on that. The other two (2) are number sixty-six  
10 (66) and sixty-eight (68), and we have them both marked  
11 as Exhibit number 109. And I'm not sure at this stage  
12 if they were two (2) answers in one (1), or we've just  
13 failed to file one (1) of those. And I'm looking into  
14 it right now. And after the break I can advise you  
15 further.

16 THE CHAIRPERSON: Well, those were PUB  
17 undertakings, were they? Undertakings to the PUB?

18 MR. BRENT CZARNECKI: I believe so,  
19 yes.

20

21 (BRIEF PAUSE)

22

23 THE CHAIRPERSON: No, I just want to  
24 confirm, Mr. Williams, are -- are there any outstanding  
25 answers to undertakings that owed to the Consumers'

1 Association?

2 MR. BYRON WILLIAMS: There's one (1)  
3 that we're -- I've -- I've made inquiries of Mr.  
4 Barnlund -- well, his legal counsel was speaking to, so  
5 we're not sure we've received Coalition-26. And we --  
6 so we -- we looked for it, we weren't able to find it.  
7 It may have been our oversight. If it is there, that's  
8 great. If not, that's also -- we -- we would just like  
9 to clarify that and we'll -- we'll work through that.

10 THE CHAIRPERSON: Now, just checking,  
11 Mr. Gange, anything that's outstanding to the Green  
12 Action Centre?

13 MR. WILLIAM GANGE: To us we're fine.  
14 We -- we have -- there -- we do have two (2)  
15 undertakings that were made during Mr. Colton's  
16 testimony. I can tell you that one (1) of them has  
17 been filed with the Board and is marked as GAC-5. That  
18 was undertaking number 71, I believe, Diana. I -- I  
19 think it was 71.

20 We -- undertaking number 72, Mr. Colton  
21 has given me some information but I don't believe that  
22 it's complete. So I need a -- a little bit more time  
23 and a discussion with -- with Mr. Colton before my  
24 final undertaking will be filed. But -- but we are not  
25 looking for any further information from Manitoba

1 Hydro.

2 THE CHAIRPERSON: Thank you, Mr. Gange.  
3 Mr. Hacault isn't here and I guess you -- Manitoba  
4 Hydro at least -- addressed some of them at least, some  
5 of the issues are there. Mr. Orle, anything that's  
6 missing for -- for MKO?

7 MR. GEORGE ORLE: Mr. Chairman, nothing  
8 missing. We have everything we need.

9 THE CHAIRPERSON: Thank you, Mr. Orle.  
10 And, Mr. Masi...? Mr. Masi -- sorry.

11 MR. TOMAS MASI: Mr. Chair, I believe  
12 some of the undertakings were taken that -- that were  
13 taken or that were requested by the MMF were taken by  
14 Hydro on condition. They -- they placed conditions on  
15 them. So there's a few that they placed -- placed  
16 conditions on that we don't have. So I presume that  
17 means that we're not going to get them for the hearing.  
18 But other than that there's -- there's nothing that  
19 we're waiting for.

20 THE CHAIRPERSON: Now, if any of the  
21 parties have undertakings that are still outstanding,  
22 you know, it would be appropriate, I guess, for  
23 Manitoba Hydro to -- to complete those as soon as  
24 possible. And if necessary, we're prepared to allow  
25 the Intervenors to file supplemental written -- written

1 submissions if the -- if the undertakings -- the  
2 uncompleted undertakings are critical to their  
3 position.

4                   So we would be pre -- prepared to accept  
5 written submissions -- written closing submissions on  
6 those undertakings. And -- and my sense is that the  
7 closing submissions in -- in that case should only  
8 address the matters impacted by the undertaking and  
9 would have to be provided in short order.

10                   And frankly, we need it Friday. We can  
11 discuss this further if there are any procedural  
12 questions or -- or alternatively, you could discuss  
13 them with Mr. Peters at the break and we can take it  
14 from there.

15                   So with that, I'll ask Board counsel,  
16 Mr. Peters, to provide closing comments. Thank you,  
17 Mr. Peters.

18

19 CLOSING COMMENTS BY BOARD COUNSEL:

20                   MR. BOB PETERS: Yes. Yes, thank you.  
21 Good morning again, Mr. Chairman, Board members  
22 Kapitany, Bel, and Grant. The issues that you are to  
23 deliberate are set out in Manitoba Hydro's letter of  
24 application dated January 16th, 2015, which is found in  
25 Volume III of Board counsel's book of documents, PUB

1 Exhibit 5, starting at page 5.

2                   Now, those requests from Manitoba Hydro  
3 have been modified by the Board's letter of January  
4 27th, 2015, that removed certain matters from the scope  
5 of the public hearing process. Together with Mr.  
6 Hombach and as counsel to the Public Utilities Board in  
7 this proceeding, we take no position on the merits of  
8 any of the issues before the Board.

9                   However, considering that this was a  
10 three (3) week hearing, we would like to summarize some  
11 of those issues. In its letter of application Manitoba  
12 Hydro seeks the following, and I'll put it into the  
13 transcript so it's available readily for the Board.

14                   Firstly, approval on an interim basis of  
15 rate schedules incorporating an across-the-board 3.95  
16 percent rate increase to all components of the rates  
17 for customer classes effective April 1, 2015,  
18 sufficient to generate additional revenues of \$57  
19 million in the current fiscal year.

20                   Secondly, approval of a further 3.95  
21 percent across-the-board rate increase to all  
22 components of the rates for all customer classes  
23 effective April 1 of 2016, sufficient to generate  
24 additional revenues of \$60 million in the 2016/'17  
25 fiscal year.

1                   Thirdly, final approval of Orders 49/'14  
2 and 51/'14, which approved on an interim basis only a  
3 2.75 percent rate increase effective May the 1st of  
4 2014. That was an across-the-board, as we've called  
5 it, rate increase. Any other interim orders issued  
6 subsequent to that are also in Manitoba Hydro's request  
7 for this Board to finalize. There have been no further  
8 rate orders.

9                   Fourthly, final approval for the light-  
10 emitting diode, or LED, rates for the area and roadway  
11 lighting class approved on an interim basis in Board  
12 Order 79/'14.

13                   Fifthly, approval to implement time-of-  
14 use rates for the general service large customer class  
15 served at greater than 30 kilovolts effective April 1  
16 of 2016, including the change in the definition of  
17 billing demand.

18                   Sixthly, confirmation that the Board  
19 accepts the rate approval process given proposed  
20 modifications to the terms and conditions of option 1  
21 of the Surplus Energy Program.

22                   Seventhly, confirmation that the Board  
23 accepts the rate approval process given proposed  
24 modifications to the Curtailable Rates Program as  
25 outlined in Tab 6 of Hydro's application and that were

1 approved by the Board on an interim basis in Order  
2 43/'13.

3                   The eighth matter on Manitoba Hydro's  
4 list is final approval of all Surplus Energy Program  
5 interim ex parte orders that were set forth in Tab 10  
6 of the application, as well as any additional Surplus  
7 Energy Program orders that have been issued subsequent  
8 to the filing of this application and prior to the  
9 PUB's order.

10                   Ninth is Manitoba Hydro's request for  
11 final approval of Curtailable Rates Program ex parte  
12 Order 46/'14, as well as any additional ex parte orders  
13 in respect of the Curtailable Rates Program issued  
14 subsequent to that order.

15                   The tenth item is final approval of  
16 Orders 116/'12 and 117/'12, that on an interim basis  
17 only approved a 6.5 percent rate increase to the full  
18 cost portion of the general service and government  
19 rates in the four (4) remote diesel communities in  
20 Manitoba that was effective September 1 of 2012. There  
21 was also a request included in that for Manitoba Hydro  
22 to approve the interim orders, and there's a list of  
23 them, subject to confirmation that MKO has provided the  
24 parties to the agreement with the required affidavits  
25 and documents from representatives of the signatories

1 to the agreement.

2                   Lastly, Manitoba Hydro seeks approval to  
3 rescind the demand-side management deferral account  
4 established pursuant to Order 43/'13, for the 2012 and  
5 '13, and 2013 and '14 fiscal years and on a go-forward  
6 basis.

7                   Now, as mentioned by way of a letter to  
8 Manitoba Hydro dated January 27th, 2015, the Board  
9 indicated that it would not approve interim April 1,  
10 2016, rates in this proceeding and the Board was not  
11 prepared to grant an interim rate increase effective  
12 April 1 of 2015. But on a procedural matter the panel  
13 heard from Mr. Bowman a couple of days ago and Manitoba  
14 Hydro earlier in the hearing that Manitoba Hydro has  
15 still -- wants to discuss the April 1, 2016, rate  
16 request.

17                   The Board's letter in January indicated  
18 that the 2016 test year would not be considered in this  
19 proceeding. The Board has heard that Manitoba Hydro is  
20 studying the financial targets that are embedded in its  
21 integrated financial forecasts as recommended in the  
22 NFAT report. The Board is also aware of a long-  
23 standing requirement to schedule Manitoba Hydro's cost-  
24 of-service study methodology review which the Board  
25 understands will proceed later this year.

1                   So with that background, the Board would  
2 be interested in hearing from all parties as to the  
3 various options that should be considered in respect of  
4 a process to consider possible April 1, 2016, rates for  
5 Manitoba Hydro, and whether on an interim or a final  
6 basis.

7                   Recognizing that there have been some  
8 hurdles for some of the parties already, should any of  
9 the Intervenors require additional time to consider  
10 that matter and prefer to respond in writing rather  
11 than orally today or tomorrow, I would suggest they  
12 send their comments to the Board by the end of this  
13 week.

14                   Now, in Board Order 18/'15, which arose  
15 from this panel out of the pre-hearing conference, the  
16 Board also determined that the cost of -- sorry, the  
17 time-of-use rates issue will be reviewed at the  
18 upcoming cost-of-service hearing rather than in this  
19 GRA. And as I've mentioned, that's expected later this  
20 year.

21                   Also in that order, the Board indicated  
22 that it would not finalize diesel rates until MKO  
23 provides the requisite documentation. We heard from  
24 Mr. Anderson in his opening comments that the  
25 documentation is alive and well, apparently exists in

1 his office.

2                   It hasn't been provided for reasons that  
3 are somewhat nebulous on the transcript. And Mr. Orle  
4 may or may not have an ability to provide insight to  
5 the panel as to when those issues will be brought  
6 forward for finalization.

7                   In terms of the rate increase requested  
8 by Manitoba Hydro, the 2.75 percent rate increase  
9 awarded for the '14/'15 fiscal year which ended on  
10 March 31 of -- of this year, a final rate order is  
11 sought and an additional 3.95 percent for the current  
12 fiscal year is sought.

13                   Those orders together would result in a  
14 combined additional revenues of approximately \$96  
15 million in the current test year. And as seen in the  
16 Information Requests, the increases in rates that are  
17 sought by Manitoba Hydro will raise over 1 billion --  
18 yes, 'B' with a billion -- for Manitoba Hydro over the  
19 next twenty (20) year period, or 1.4 billion if you  
20 consider the compounding of future forecast rate  
21 increases.

22                   A summary of the requested rate  
23 increases can be found at Volume III of Board counsel's  
24 book of documents on pages 18 to 20. In terms of  
25 operating results, Manitoba Hydro filed IFF14 in

1 support of its general Rate application before the  
2 panel, and that included the interim rate increase of  
3 two point seven-five (2.75) that was granted May 1 of  
4 2014.

5                   In support of that interim application,  
6 Manitoba Hydro filed IFF13 with the Board in April of  
7 2014. And in that forecast, Manitoba Hydro indicated  
8 it would have a net income of \$116 million for the year  
9 ended March 31 of 2014.

10                   As we've seen, actual results for that  
11 year were \$147 million, or \$31 million better than  
12 forecast, due largely to the effects of a cold winter  
13 in Manitoba.

14                   Manitoba Hydro also forecast in IFF13  
15 net income for 2014/'15 and the fiscal year just  
16 completed to be \$55 million, and for the current year  
17 to only have net income of approximately \$12 million.

18                   The IFF14 that Hydro has now filed  
19 indicates that for 2014/'15, the net income will be \$48  
20 million improved, up to \$102 million for that year, and  
21 its revised forecast for 2015/'16 is up to \$115  
22 million. And there's a \$103 million improvement from  
23 the prior forecast.

24                   So overall, Manitoba Hydro's recent  
25 financial outlook has improved by \$182 million, subject

1 to a caution from Manitoba Hydro that the results for  
2 the last fiscal year may be as much as \$10 million  
3 unfavourable.

4 Manitoba Hydro attributed the net  
5 improvement largely to favourable water flows, lower  
6 financing costs, and lower depreciation expense. And  
7 that can be found in Volume III, pages 68 and 69, of  
8 Board counsel's book of documents.

9 As mentioned during the hearing,  
10 Manitoba Hydro provided an update of its forecast for  
11 2014/'15, indicating that the net income forecast of  
12 \$102 million would be lower than forecast by about \$10  
13 million. I would remind Mr. Czarnecki and Ms.  
14 Fernandes that there is Undertaking number 6 still  
15 outstanding, which was going to be the president  
16 determining whether and when he can provide to the  
17 Public Utilities Board the audited financial statements  
18 for the Corporation's last fiscal year.

19 It appears that the lower financial  
20 result that both Mr. Rainkie and Mr. Thomson spoke  
21 about has to do with lower export revenue, as well as  
22 the renegotiation of the Wuskwatim Power Limited  
23 Partnership agreement which, when finalized, appears to  
24 have come in effect retroactively to April 1 of 2014.

25 The changed agreement revised several

1 agreements, including the purchase power agreement and  
2 the financing agreement with the First Nation partners,  
3 which will result in a net income reduction to Manitoba  
4 Hydro of about \$16 million in the 2014/'15 fiscal year  
5 that has closed. And on average, there'll be about a  
6 \$15 million annual reduction in net income over the  
7 next ten (10) years of the forecast.

8

9

(BRIEF PAUSE)

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MR. BOB PETERS: The need for rate

increases, as explained by Manitoba Hydro, is that it's

entering a period of extensive capital adjustments to

meet export commitments and future energy requirements

of Manitobans, as well as placing priorities on

replacement of aging utility assets, and also to

address the increased capacity constraints that have

been identified on Manitoba Hydro's grid.

Manitoba Hydro plans on increasing its

sustaining capital spending by about \$100 million

annually to bring that up to about \$570 million in the

test year that we are currently in. That additional

spending will contribute to a \$5.6 billion budget for

sustaining capital during the next decade. Manitoba

Hydro claims this higher level of spending is to

1 address aging assets and to maintain system  
2 reliability.

3                   Manitoba Hydro has also expressed major  
4 increases in the capital costs of major generation and  
5 transmission projects. In March of 2014, Manitoba  
6 Hydro gathered contractor bid information on building  
7 Bipole III transmission line. Upon a review of this  
8 information, it determined that the cost of Bipole III  
9 would increase from \$3.28 billion to \$4.65 billion,  
10 which is a \$1.4 billion or 44 percent increase in the  
11 cost estimate that had been previously provided to the  
12 Board.

13                   That, coupled with the current estimated  
14 costs of Keeyask Generating Station of about \$6.5  
15 billion, the proposed amortization of \$397 million of  
16 Conawapa's sunk costs, as well as updated capital costs  
17 for the Great Northern Transmission Line to \$675  
18 million, that these major projects are all cited as  
19 contributing to the pressure and the need for the  
20 current rate increases.

21                   Manitoba Hydro's projected costs and  
22 revenue requirements are increasing significantly due  
23 to the investment in these assets, which is the key  
24 driver for the rate increases Manitoba Hydro has  
25 sought. The current IFF even forecasts operating

1 losses commencing in 2019 over an eight (8) year  
2 period, totalling \$980 million.

3                   In terms of financial targets, the Board  
4 has heard that Manitoba Hydro measures its financial  
5 strength through their three (3) consolidated financial  
6 targets, the debt-to-equity ratio, the interest  
7 coverage ratio, and the capital cost coverage ratio.

8                   Manitoba Hydro's target is to fund 25  
9 percent of assets through internally generated funds,  
10 which represents a 75:25 debt-to-equity ratio.

11 Manitoba Hydro also has a target to maintain interest  
12 coverage, as well as capital coverage ratios, above one  
13 point two-zero (1.20).

14                   Manitoba Hydro acknowledges that the  
15 financial targets will not be maintained during years  
16 of major investment in the generation and transmission  
17 system. The debt-to-equity ratio is forecast to drop  
18 to 90:10 in 2024 through 2027. The interest coverage  
19 ratio and the capital coverage ratio are also forecast  
20 to fall below target levels for extended periods of  
21 time, during which Manitoba Hydro is forecasting major  
22 losses. The detail of this is reflected in Volume III,  
23 page 108, of Board counsel's book of documents. And as  
24 recommended by the Public Utilities Board in the NFAT  
25 proceeding, Manitoba Hydro is currently undertaking a

1 review of its financial targets.

2

3

(BRIEF PAUSE)

4

5

MR. BOB PETERS: In terms of export  
6 revenue, since 2008, when Manitoba Hydro was  
7 negotiating various term sheets, Hydro has experienced  
8 successive declines in its forecast of net export  
9 revenues with a total decline of about \$6.5 billion  
10 compared to the 2008 forecast. Historically, net  
11 extraprovincial revenues have enabled Manitoba Hydro to  
12 maintain low electricity rates for Manitobans with  
13 revenues averaging \$365 million a year between 2005 and  
14 2009.

15

Net extraprovincial revenues have not  
16 been as strong in the past years and are projected to  
17 be in the range of 147 million to 181 million for the  
18 next three (3) years. Manitoba Hydro believes that  
19 domestic customer rates need to increase to partially  
20 compensate for this reduction.

21

Manitoba Hydro further revised its gross  
22 export forecast in IFF down by a further billion  
23 dollars, and Manitoba Hydro acknowledged that natural  
24 gas prices are a significant factor in driving  
25 electricity prices in the export market.

1                   The continued suppressed natural gas  
2 prices were contributing to lower export prices that  
3 Manitoba Hydro can receive in the US export market.  
4 And again, in Volume III, pages 49 and 59, there's  
5 further evidence to that end.

6                   In terms of OM&A cost containment, Mr.  
7 Thompson indicated the Manitoba Hydro completed a  
8 review of staffing and operational efficiency to meet  
9 customer needs in a cost effective and efficient  
10 manner. As part of the process, Manitoba Hydro has  
11 committed to reducing its full-time staff complement by  
12 three hundred and thirty (330) positions in the next  
13 few years, though that will all be done through  
14 attritions and process efficiencies and not layoffs.

15                   Manitoba Hydro has a target in its  
16 forecast to limit operating cost increases to 1 percent  
17 per year over a ten (10) year period, excluding the  
18 impacts of accounting changes. Reductions in the order  
19 of an additional six hundred (600) positions by  
20 2023/'24 will be needed in order to meet the 1 percent  
21 target that has been set by Manitoba Hydro.

22                   Manitoba Hydro has reported in Exhibit  
23 119 that it has four hundred and fifty (450) term  
24 positions, of which two hundred and fifty-six (256) are  
25 supporting its major capital projects. Seventy-five

1 (75) relate to sustaining capital projects, and a  
2 hundred and ten (110) are for its operations.

3 Manitoba Hydro also provided further  
4 analysis of the level of further reductions in staffing  
5 levels that would be required to mitigate against the  
6 forecasted losses in IFF14. This information is found  
7 in Volume IV of Board counsel's book of documents on  
8 page 150.

9 Now, Manitoba Hydro has reported for the  
10 fiscal year that closed on March 31 of 2015, it  
11 exceeded its target position reductions for that year  
12 and had a hundred and forty-six (146) position  
13 reductions, and attained two hundred and twenty-six  
14 (226) operational position reductions, which is eighty  
15 (80) more than forecast. This represents an additional  
16 \$8 million of annual savings that is not currently  
17 reflected in IFF14.

18 Manitoba Hydro provided an update to the  
19 interest rate forecast reflected in IFF14. The  
20 interest rate update indicates a material reduction in  
21 interest rates during the 2015/'16 and over the twenty  
22 (20) year forecast. In the current test year we are  
23 in, finance expense is forecast to be \$13 million lower  
24 than forecast in IFF14.

25 In terms of load forecast, Manitoba

1 Hydro filed a new 2014 electric load forecast in this  
2 proceedings that until 2023/'24, assumes a reduction in  
3 load growth of approximately 900 giga -- gigawatt  
4 hours. And that represents about two (2) years worth  
5 of load growth, according to page 12 of Board counsel's  
6 fifth book of documents.

7           The primary factor for the reduced  
8 growth projection identified by Manitoba Hydro on the  
9 transcript at page 2728 is a reduction in the expected  
10 pipeline load to 655 gigawatt hours a year, which is  
11 down over 800 gigawatt hours from the projections made  
12 during the NFAT.

13           As for the demand-side management by  
14 Manitoba Hydro, Manitoba Hydro filed a one (1) year  
15 Power Smart Plan, which was new for 2015/'16, but  
16 otherwise it's currently still relying on the fifteen  
17 (15) year plan filed during the NFAT until it completes  
18 a new long-term plan. In 2012/'13, and 2013/'14,  
19 Manitoba Hydro accumulated a total of \$16.3 million in  
20 the DSM deferral account that the Board established in  
21 Board Order 43/'13.

22           It's important the panel remember that  
23 this deferral account was established for only two (2)  
24 years and does not include the 2014/'15 fiscal year  
25 that ended a few months ago. Manitoba Hydro underspent

1 its DSM budget for the two (2) years to which the  
2 deferral account applied by \$19 million, spending \$33.9  
3 million. For the 2015/'16 current test year, Manitoba  
4 Hydro initially planned to spend approximately \$58  
5 million, but this budget has been increased to \$63  
6 million. Manitoba Hydro's savings projections for the  
7 2015 test year have decreased by 97 gigawatt hours.

8           In terms of special rates, Manitoba  
9 Hydro seeks to finalize the changes to the terms and  
10 conditions of Option 1 of the Surplus Energy Program,  
11 and to date, there are no customers that have utilized  
12 this option, so no existing customers are affected.  
13 Manitoba Hydro is also seeking to finalize the changes  
14 to their Curtailable Rate Program that were approved on  
15 an interim basis in Order 43/'13. This includes cap  
16 limitations to Options A and R, elimination of the  
17 Option C and Option CE, and the abolition of the option  
18 to designate a variable curtailable load month to month  
19 as well as a revision to the failure to curtail clause.

20           In any given year, the Curtailable Rates  
21 Program appears to be the most significant capacity  
22 measure in Manitoba Hydro's DSM Program. However,  
23 Manitoba Hydro does not include the Curtailable Rates  
24 Program as a capacity resource in its Power Resource  
25 Plan, and states that the value of short-term capacity

1 is now much less since it cannot be sold.

2                   In terms of low-income programs, Dr.  
3 Colton testified as to Manitoba Hydro's collection  
4 policies and advocated for a collaborative process with  
5 respect to a bill assistance or affordability program.  
6 Manitoba Hydro stated that its collections in arrears  
7 have been declining and that it has made a number of  
8 improvements to its collection activities. It  
9 presented evidence regarding existing programs such as  
10 Neighbours Helping Neighbours and the Affordable Energy  
11 Program. It also provided a description of its First  
12 Nations targeted DSM programs.

13                   As for depreciation, that is currently  
14 Manitoba Hydro's second highest expense category and is  
15 scheduled to double by 2034. That doubling will be as  
16 a result of major new generation and transmission  
17 assets and planned sustaining capital expenditures. As  
18 part of the newest depreciation study, several asset  
19 lives have been extended, which results in reduced  
20 depreciation expense.

21                   However, this is not the only proposed  
22 change. Manitoba Hydro intends to move to  
23 International Financial Reporting Standards, or IFRS,  
24 for the current test year in which we are in. As part  
25 of this switch, it intends to remove net salvage from

1 depreciation rates, as net salvage is not allowed under  
2 IFRS to be in depreciation rates.

3                   In addition, Manitoba Hydro plans on  
4 switching from the average service life methodology to  
5 the equal life group procedure, or ELG. And in the  
6 current test year, the elimination of net salvage  
7 reduces the revenue requirement by \$60 million while  
8 the proposed change to ELG increases the revenue  
9 requirement by \$36 million, as seen in Board counsel's  
10 book of documents number 6, page 52. According to an  
11 extrapolation study performed by Gannett Fleming, the  
12 difference is reduced significantly if the comparison  
13 is between ELG and IFRS compliant average service life  
14 methodology.

15                   Manitoba Hydro would like the Board to  
16 consider the proposed changes on a net -- on net  
17 salvage and ELG on an overall basis, although the Board  
18 has the option to approve either, neither, or both. If  
19 the Board chooses to either retain net salvage or to  
20 retain an ASL methodology, Manitoba Hydro would record  
21 a rate-regulated deferral account.

22                   Now, Mr. Chairman and Board members,  
23 with that high-level review of the evidence and issues,  
24 and subject to any questions of me by the Board, I  
25 suggest that the Board call on counsel for the

1 Intervenor to provide their closing submissions in  
2 this General Rate Application this morning, beginning  
3 with Mr. Gange, followed by Mr. Williams later this  
4 morning. Thank you, sir.

5 THE CHAIRPERSON: Thank you, Mr.  
6 Peters.

7 With that, Mr. Gange, please.

8

9 CLOSING SUBMISSIONS BY GAC:

10 MR. WILLIAM GANGE: Thank you, Mr.  
11 Chair, Board members.

12 I'd like to start by thanking the Board  
13 for its patience throughout this, for -- I'd like to  
14 thank Manitoba Hydro for the excellent work through its  
15 panels and its counsel. Of course, Mr. Peters and Mr.  
16 Hombach who do an unbelievable job in assisting this  
17 process, and -- and counsel for the other Intervenor  
18 who have been so helpful.

19 I'd also like to thank Mr. Cordingley  
20 for bailing me out on a number of occasions, and -- and  
21 the indefatigable Dr. Miller who's just quite frankly  
22 the most amazing man in -- in my life. So thank you,  
23 Peter.

24 Green Action Centre -- I -- I'm -- I am  
25 going to refer to -- I've provided to the Board a

1 written argument. It will be marked as Green Action  
2 Centre number 6. And along with that, a short book of  
3 authorities which will be marked as Green Action Centre  
4 number 7. You should have paper copies of both of  
5 those documents.

6                   And, Diana, if you could put up number  
7 6, the final submission, I'm not going to review this  
8 word by word, but perhaps by the end of it you'll think  
9 that I have. It's -- it's -- this is a complicated  
10 matter, and -- and so I -- I expect that I'm going to  
11 go into it a little -- in greater detail than I might  
12 otherwise.

13                   I'm going to start off. Green Action  
14 Centre is a non-profit that promotes practical measures  
15 to improve the sustainability and quality of life of  
16 Manitobans. Green Action Centre has been involved in  
17 hearings before the Manitoba Public Utilities Board for  
18 a significant period of time, and has attempted to  
19 bring a consistent message and approach to -- to this  
20 Board.

21                   We share the provincial goal for  
22 Manitoba to be one (1) of the most sustainable places  
23 to live on earth, and the promise to bring a strong,  
24 resilient, green economy.

25                   With respect to Manitoba Hydro, Green

1 Action Centre advocates policies to ensure power is  
2 sustainably produced and used, and that the immense  
3 benefits of reliable, clean power are optimized, not  
4 squandered, and are able to meet the needs of  
5 Manitobans, including low-income Manitobans.

6           We have advocated creative, synergistic  
7 solutions and informed goal-directed, participatory  
8 processes as a means for advancing sustainability in  
9 the face of apparent differences or obstacles.

10           At this hearing, the main focus of the  
11 Green Action Centre has -- was presented to you through  
12 the direct testimony of Mr. Roger Colton.

13           We engaged Mr. Colton to recommend an  
14 approach to create a made-in-Manitoba suite of measures  
15 to achieve bill affordability for low-income customers  
16 who, as Mr. Colton stated in -- in GAC IR number 1, who  
17 -- the -- low-income customers who, by reason of level  
18 of income and/or level of consumption, alone or in  
19 combination, receive monthly bills that cannot be  
20 consistently paid in a sustainable fashion over the  
21 course of time.

22           We believe that Mr. Colton has  
23 demonstrated that bill affordability is not just a  
24 problem for some low-income customers, but also for  
25 Manitoba Hydro in the running of its business to accord

1 with its mandate.

2                   What are Manitoba Hydro's options when  
3 it is required to supply energy for winter heating and  
4 the bills exceed a customer's ability to pay? Although  
5 the inability of some customers to pay Hydro bills on a  
6 sustained basis is a problem for Manitoba Hydro,  
7 respectfully, we -- we suggest that the Utility has  
8 engaged in no investigation or planning directed  
9 specifically at the inability to pay problem, or sought  
10 to differentiate it from other reasons for bill non-  
11 payment.

12                   Manitoba Hydro does have programs  
13 directed at low-income customers, as Mr. Peters pointed  
14 out, the Affordable Energy Program, Neighbours Helping  
15 Neighbours. As Mr. Colton demonstrates, however, these  
16 programs by themselves are insufficient to address the  
17 problem of inability to pay. Despite Hydro's existing  
18 programs there are tens of thousands of customers  
19 unable to pay their bills on a sustained basis.

20                   Green Action Centre urges the Public  
21 Utilities Board to adopt Mr. Colton's recommendation to  
22 create a time-limited collaborative process involving  
23 Manitoba Hydro and other stakeholders, under the  
24 mediation and direction of PUB staff, for the purpose  
25 of devising a full suite of man -- made in Manitoba

1 measures to address bill affordability and bill non-  
2 payment, including additional bill assistance.

3           We were particularly encouraged that --  
4 encouraged that president Scott Thomson indicated that  
5 Manitoba Hydro is interested in being involved in such  
6 a process, and the reference for that is transcript  
7 page 505, line 16 to 24, and that other Intervenors  
8 during this process have signal -- have signalled their  
9 interest.

10           In a letter dated February 23rd, which  
11 was marked as Manitoba Hydro document 8, Manitoba Hydro  
12 proposed a collaborative process on the topic of  
13 residential low-income needs and responses. Green  
14 Action Centre responded to this invest -- invitation  
15 with a proposal on how to proceed, but no agreement  
16 could be reached under the pressure of the impending  
17 GRA process.

18           This hearing has provided an opportunity  
19 to air issues to be considered, and in the balance of  
20 this brief we will examine those issues. I'm going to  
21 start with the legal aspect of this, the jurisdictional  
22 aspect because it does seem to me that that's been one  
23 of the key issues raised in response to Mr. Colton, Do  
24 you have the jurisdiction to do this?

25           And the argument that I'm going to

1 advance, and -- and I apologize because this part of  
2 the argument I'm sad to say is particularly fun for me,  
3 which I think my children would say, Dad, you really  
4 have descended into a terrible morass, but -- but it is  
5 -- and -- and so I'm going to go through that in some  
6 depth. Diana, if you could go to the next page?

7 THE CHAIRPERSON: Mr. Gange, you sat  
8 through depreciation. You can now have your chance.

9 MR. WILLIAM GANGE: No, I didn't. I  
10 sent Mr. Cordingley. I haven't sunk that far.

11 I'm going to deviate a little bit from  
12 the written argument because I -- what I would like you  
13 to do is I'd like you to go to Exhibit number 7, Green  
14 Action Centre Exhibit number 7, the authorities. I'm  
15 going to start off this by talking about the law.

16 So at page 1 of -- of Exhibit 7 -- Green  
17 Action Centre number 7, the Manitoba Hydro Act, I set  
18 out what I see as the relevant sections. And section  
19 39 of the Manitoba Hydro Act sets out what a Rate  
20 Application is about. And in section 39(1):

21 "The prices payable for power  
22 supplied by the corporation sub --  
23 shall be such as to return to the  
24 corporation in full the cost to the  
25 corporation, of supplying the

1 power..."

2 And then it goes on to discuss all of  
3 the various aspects of that. The -- so -- so you've  
4 heard that from Manitoba Hydro, what their cost of  
5 supplying the power is. Section 39(2.1) is a very  
6 important section because it says:

7 "The rates charged for power supplied  
8 to a class of grid customers within  
9 the province shall be the same  
10 throughout the province."

11 And you've heard of this throughout this  
12 hearing as the uniform rates legislation. And, yes,  
13 there is that section that the power supply to a class  
14 of grid customers must be the same.

15 The section then goes on, and -- and you  
16 see interpretation. So the legislature specifically  
17 tol -- is telling you what it is that you have to  
18 consider in that section.

19 And it says that, with respect to  
20 uniform rates, what the legislature was focussing on is  
21 the geographic concept because, prior to this  
22 legislation, you heard that rates differed depending  
23 upon the area of the province that you lived in.

24 And I can understand why Manitoba Hydro  
25 would at one (1) time have wanted to do that. It's

1 much more difficult to supply power to a remote  
2 northern community than it is to downtown Winnipeg.

3                   So the government and the legislation  
4 specifically says, in terms of your interpretation, for  
5 the purpose of -- of interpreting this section,  
6 customers shall not be classified based solely on the  
7 region of the province in which they are located or on  
8 the population density of the area in which they are  
9 located so that the concept of uniform rates is  
10 geographic in nature. And that's all.

11                   That's important when we -- and I'm  
12 going to go through some cases with you that discuss  
13 the -- the restrictions that are placed on -- on  
14 utilities.

15                   Then, if you turn the page to page 2,  
16 the Crown Corporations Public Review and Accountability  
17 Act, as you know, this is the Act that gives to the  
18 Public Utilities Board the jurisdiction to review and  
19 set rates.

20                   So it -- it talks about in section 26(1)  
21 that -- that you review the -- the rates, and no rate  
22 can be charged without your approval. Fine.

23                   Factors to be considered in the hearing,  
24 26(4). In reaching a decision in your -- in reaching  
25 your decision on what the rates are, you have the

1 jurisdiction to take into consideration a number of  
2 points, including the -- the amount required to provide  
3 sufficient monies to cover operating, maintenance, and  
4 administration expenses of the Corporation. And that's  
5 that we've been doing for all this period of time.

6                   But if you turn the page -- thank you,  
7 Diana -- Roman numeral (viii), you are also entitled --  
8 you have the jurisdiction in setting rates to consider  
9 any compelling policy considerations that you in your  
10 discretion consider relevant to the matter.

11                   Pretty wide jurisdiction, but if that  
12 wasn't enough, the legislature gave you even greater  
13 authority to say that you have the jurisdiction to  
14 consider any other factor that you consider to be  
15 relevant.

16                   I'm going to come back to this in due  
17 course because we're going to compare the jurisdiction  
18 of other public utility regulators. They do -- the --  
19 the other regulators that I'm going to look at do not  
20 have the incredibly wide breadth of jurisdiction that  
21 you have.

22                   The public -- or, pardon me, the Crown  
23 Corporations Public Review and Accountability Act also  
24 says that -- that, with respect to a rate review, the  
25 Public -- or the Public Utilities Board Act applies so

1 far as it's dealing with rates. And the Public  
2 Utilities Board Act gives to you the jurisdiction, on  
3 your own motion, to inquire into, to hear, and to  
4 determine any matter or thing within its jurisdiction.

5           So if you want to make an inquiry, the  
6 first question is, What we're looking at, is that  
7 within our jurisdiction under the Crown Corporations  
8 Act? Well, you're -- you're entitled to be looking at  
9 rates. That's what we're doing here. And how you set  
10 those rates, that's your jurisdiction. And so under  
11 the Public Utilities Board Act you have the power to do  
12 exactly what it is that Mr. Colton is urging you to do,  
13 to set up a collaborative process, because you have the  
14 authority to make an inquiry.

15           And how you set up that inquiry is your  
16 business. Nobody's telling you how to do that. That's  
17 your business. The legislature isn't restricting you.  
18 The legislature is saying, you can compel people from  
19 the Utility to attend. You can set up this process as  
20 you see fit. So that's the legislative framework that  
21 I say informs this discussion.

22           Now, Mr. Colton, as you heard, has  
23 appeared in -- in virtually every American jurisdiction  
24 that has regulated utilities and he's appeared in Nova  
25 Scotia, Ontario, he's appearing right now -- or taking

1 part right now in a process in BC. And -- and what's  
2 relevant here is that there are two (2) processes that  
3 are -- that -- that have considered this issue of a  
4 rate affordability program. Mr. Colton was retained in  
5 both of those circumstances.

6 So in Ontario, and this is set out at  
7 page 6, Diana, of that same document. Thank you. The  
8 Advocacy Centre for Tenants Ontario and Income Security  
9 Advocacy Centre on behalf of Low-income Energy Network,  
10 and the Ontario Energy Board, so this is a decision of  
11 the Ontario Divisional Court.

12 It's not the highest court in -- in  
13 Ontario, but it's the second highest. And so -- so Mr.  
14 Colton had been hired by the Low-income Energy Network  
15 to do exactly what he was asked to do here, to propose  
16 a -- a low-income plan.

17 The Ontario Energy Board said, We don't  
18 have the jurisdiction to consider that. We think it's  
19 admirable, Mr. Colton. We think it's admirable,  
20 Intervenors, that you're trying to do this. We just  
21 don't have the jurisdiction to look at it. So this was  
22 appealed to the Divisional Court for consideration.

23 And a spoiler alert, the -- the Ontario  
24 Divisional Court said, Yes, you do have the  
25 jurisdiction. And -- and saying that you didn't have

1 the jurisdiction was an error in law and they sent it  
2 back to the Ontario Energy Board to say, We're not  
3 telling you what to do. We're just telling you you  
4 have the jurisdiction to consider Mr. Colton's  
5 recommendations.

6                   So in looking at this case the -- the  
7 key point here was that the Ontario Energy Board was  
8 governed by the Ontario Energy Board Act. And in that  
9 Act, Section 36(3) said that in approving or fixing  
10 just and reasonable rates the court may adopt any  
11 method or technique that it considers appropriate. I  
12 think that's supposed to say, "the Board," but let me -  
13 - as I read that -- I -- I'm sorry, we made a typo  
14 there. It's -- it:

15                   "In approving or fixing just and  
16                   reasonable rates, the Board may adopt  
17                   any method or technique that it  
18                   considers appropriate."

19                   So when this argument was made the  
20 Intervenor came and said, We have -- you have the  
21 right to do this. And what they did was they said, You  
22 have the right to create a class of customers that is  
23 based upon income. And the -- the Board said, You --  
24 we can't -- saying that we can adopt any method or  
25 technique that -- that we consider appropriate could

1 not possibly mean that we would establish a new class  
2 of customers based on income.

3

4 (BRIEF PAUSE)

5

6 MR. WILLIAM GANGE: And so -- so what  
7 the -- I think, Diana, you -- just where you're at.  
8 I've underlined sections 22 and -- or paragraphs 22 and  
9 23. Under the former Act, what was -- what was in the  
10 Act was that there was a definition of just and  
11 reasonable rates. Interestingly, we don't have that in  
12 our legislation. That's not what you're -- that's not  
13 what you're here for.

14 It is a regulatory principle, but you  
15 are not confined the way that -- the way that Ontario  
16 was confined to just and reasonable rates. But under  
17 the previous legislation, the Ontario Board was limited  
18 to the cost-of-service basis articulated in -- in their  
19 old section talking about how you had to -- to view it  
20 in terms of cost of service.

21 And the court said, Well, but -- but  
22 that was changed, and now you're given authority to use  
23 any reasonable -- or -- or any technique that -- that  
24 you consider to be appropriate.

25 The Board went through, at page 14,

1 Diana, a number of situations saying, Well, this just  
2 isn't accurate because in fact the Ontario -- Ontario  
3 Energy Board had made rulings with respect to demand-  
4 side management. Those were aimed at low-income  
5 customers. The Board had spread out a significant rate  
6 increase because of rate shock and the court said,  
7 Clearly the Board considered that it had the  
8 jurisdiction to take ability to pay into account in  
9 rate setting.

10                   The Board pointed out that -- that the  
11 Utility makes annual contributions to enable emergency  
12 financial relief through what it called the Winter  
13 Warmth Program, and so that these amounted to subsidies  
14 for low-income customers so that there was indirect  
15 cross-subsidization within the residential cust --  
16 consumer class. And -- and pointed out that -- that  
17 clearly all of these things were situations that the  
18 Ontario Energy Board had felt that it had the  
19 jurisdiction to do.

20                   Page 15, Diana, and right near the  
21 bottom, please?

22

23                   (BRIEF PAUSE)

24

25                   MR. WILLIAM GANGE:    The Board then set

1 out that -- that -- or pardon me, the court set out  
2 that the Board had been asked to consider the  
3 application of the Utility to establish rates, and that  
4 the question had been asked whether the Board would  
5 consider -- as a factor in rate setting, whether the  
6 Board would consider the interests of low-income  
7 consumers and establish a rate affordability program.  
8 And the court said this issue of rate setting is  
9 squarely within your jurisdiction.

10                   At page 17, Diana. And I -- I've  
11 underlined this conclusions on the Board's jurisdiction  
12 to say that the Ontario Divisional Court made it very  
13 clear that because the -- the Board had been given the  
14 authority to use whatever rate method technique that it  
15 felt was appropriate it had the jurisdiction to  
16 establish or to -- to consider the establishment of a  
17 special rate class for low-income consumers.

18

19                   (BRIEF PAUSE)

20

21                   MR. WILLIAM GANGE: And you see it in  
22 paragraph 55. The Board in the consideration of its  
23 statutory objectives might consider it appropriate to  
24 use a specific method or technique in the  
25 implementation of its basic cost-of-service calculation

1 to arrive at a final fixing of rates that are  
2 considered just and reasonable rates.

3                   This could mean, for example, to further  
4 the objective of energy conservation, the use of  
5 incentive rates or differential pricing dependent upon  
6 the quantity of energy consumed, what we've referred to  
7 as 'conservation rates' throughout this -- this  
8 hearing; as well to further the objective of protecting  
9 the interests of consumers. This could mean taking  
10 into account income levels in pricing to achieve the  
11 delivery of affordable energy to low-income consumers  
12 on the basis that this meets the objective of  
13 protecting the interests of consumers with respect to  
14 prices.

15                   The Board is engaged in rate setting  
16 within the context of the interpretation of its statute  
17 in a fair, large, and liberal manner. It is not  
18 engaged in setting social policy. And then paragraph  
19 61, Diana. Thank you. And the conclusion of this was,  
20 in our view and we so find, the Board has the  
21 jurisdiction to take into account the ability to pay in  
22 setting rates. We so find having taken into  
23 consideration the expansive wording of Section 36(2)  
24 and (3) of the statute and giving that wording its  
25 ordinary meaning, having considered the purpose of the

1 legislation within the context of the statutory  
2 objectives for the Board.

3                   So that was -- that was the majority  
4 decision. Now, the interesting -- or there's many  
5 interesting things for me. There's a dissenting  
6 opinion in this. When we were in law school I  
7 absolutely hated reading dissenting opinions, but I --  
8 I'm going to point out that in this one (1) there was a  
9 dissenting opinion and that dissenting opinion raised  
10 all of the arguments that one would expect that -- and  
11 -- and -- that -- that would be raised.

12                   They raised the argument that -- of --  
13 of uniform rates, raised the cross-subsidization  
14 argument. The dissenting judge would have held that  
15 the Ontario Energy Board lacked the jurisdiction to  
16 consider a rate affordability program. The important  
17 point is all of those arguments that could be made and  
18 that were made four (4) years ago when Mr. Colton was  
19 here last were considered by the Ontario Divisional  
20 Court and the majority rejected them, said no.

21                   Then what happens, if you -- Diana, if  
22 you can go to page 25. This is a -- another case.  
23 This one, though, Ontario Court of Appeal. So the  
24 highest level court in -- in Ontario. And this case is  
25 interesting for you in your consideration of this

1 situation because of page 32. And you'll see in page -  
2 - at page 32, which is page 8 of the decision, that the  
3 Ontario Court of Appeal relied upon the tenant's case  
4 to say that the Ontario Energy Board has a very  
5 significant power and has a wide jurisdic --  
6 jurisdiction.

7                   So that what the Ontario Court of Appeal  
8 did was it affirmed the divisional court decision,  
9 saying that in fact the -- the tenants case that I just  
10 finished going through was good law.

11                   So that's where I'm going to leave that.  
12 You have the tenants' case saying that the Ontario  
13 Energy Board has a wide power, and that it has the  
14 power to consider establishing a separate rate category  
15 based upon income. And then you have the Ontario Court  
16 of Appeal saying, Absolutely. That's the power of the  
17 energy -- the Ontario Energy Board.

18                   Now, several times during this hearing,  
19 you heard of contrary legislation coming from Nova  
20 Scotia. And, Diana, if you can go to page 41.

21                   So Mr. Colton also testified in Nova  
22 Scotia. He was hired by an Intervenor to again bring  
23 forth an energy rate affordability program.  
24 Interesting to me, this is in the context of a 12  
25 percent rate increase application.

1                   So Mr. Colton appeared, made his pitch.  
2 The Intervenor made their pitch, and the -- the  
3 regulator in Nova Scotia said, We don't have the  
4 jurisdiction to do that. I'm going to say to you I  
5 think they were right. In Nova Scotia, they did not  
6 have the jurisdiction to do that.

7                   And, Diana, if you could now go back to  
8 page 4 of this same document, the bottom. Here's the  
9 section of the Nova Scotia Act that regulates the --  
10 the -- or that gives jurisdiction to the regulator:

11                   "All tolls, rates, and charges shall  
12  
13                   mandatory] -- shall always  
14                   pretty harsh language] -- shall  
15                   always under substantially similar  
16                   circumstances and conditions in  
17                   respect of service of the same  
18                   description be charged equally to all  
19                   persons and at the same rate."

20                   So that was the legislative scheme that  
21 they were working under. They didn't have anything  
22 similar to Ontario, and they did not have anything  
23 similar to your power of considering any compelling  
24 policy consideration that you consider relevant, or any  
25 other factor that you consider relevant.

1                   The Nova Scotia Board has a very narrow  
2 jurisdiction. All tolls shall always be charged  
3 equally. Now, the lawyers involved there valiantly  
4 fought that to focus on the words 'under substantially  
5 sim' -- 'circumstances and conditions' to say, Well,  
6 here's your -- here's -- here's where you ought not to  
7 apply that because somebody with an energy burden of 10  
8 percent, an unaffordable energy burden, does not have  
9 substantially simmer -- similar circumstances and  
10 conditions.

11                   It's -- it's a valid and -- well, no, I  
12 didn't use the right word. It's a valiant effort by  
13 lawyers to create a loophole. The -- the Nova Scotia  
14 regulator didn't buy it. The Nova Scotia Court of  
15 Appeal didn't buy it, and I understand why they didn't  
16 buy it. It's a -- it's a very, very tough section.

17                   It does not apply to -- this case does  
18 not give you any assistance whatsoever other than to  
19 compare it to the Manitoba legislation, and for you to  
20 say, Oh, look at how restrictive that is. We have all  
21 of this other authority. What does it mean? What does  
22 -- what does the authority that we have allow us to do  
23 that Nova Scotia could not do?

24                   The answer to that is very simple. The  
25 Manitoba legislation is amongst the three (3) pieces of

1 legislation that we've looked at. The Manitoba  
2 legislation is the broadest. Although the Ontario  
3 legislation says that they could use any method or  
4 technique in setting rates, pretty broad, but it is  
5 tied into just and reasonable.

6 I don't know that that makes much of a  
7 difference when what we're talking about is a low-  
8 income affordability program, but it's a narrower  
9 jurisdiction than what you've got where you are to --  
10 your hands are not even tied to just and reasonable by  
11 the legislation. But you are given the -- the -- what  
12 I see as unfettered discretion when this Act says --  
13 the Crown Corporations Act says to you that in reaching  
14 your conclusion you can take into consideration any  
15 other factor that you consider relevant.

16 So let me say this. If -- if somebody  
17 were to appeal -- if you were to make a decision and  
18 you were to say, I'm going to take this factor into  
19 consideration in setting rates because we, the Manitoba  
20 Public Utilities Board, believe it relevant.

21 And if somebody wasn't happy about that  
22 and went to the Court of Appeal of Manitoba to say,  
23 Well, they can't do that, they don't have the  
24 jurisdiction, I'm pretty confident that the Manitoba  
25 Court of Appeal would say, What are you talking about?

1 They have the power to make their own decision of  
2 what's relevant and what's not relevant. And it's not  
3 for us to say that -- that they took into account  
4 something that was wrong.

5 So you have the power, and I'm going to  
6 say the only error that you can make is to say that you  
7 don't have the discretion.

8

9 (BRIEF PAUSE)

10

11 MR. WILLIAM GANGE: You don't have the  
12 jurisdiction. That's the only error that you can make.  
13 You may not want to -- you may not want to agree with  
14 Mr. Colton, but if you're going to do that you have to,  
15 in your decision, acknowledge that you have the  
16 jurisdiction to take into account Mr. Colton's  
17 testimony.

18 And I don't know what anybody else is  
19 going to argue following me, but I'm going to say to  
20 you that -- that you have an unfettered discretion, and  
21 you have to exercise that discretion one way or the  
22 other. That's our argument with respect to the -- your  
23 jurisdiction.

24 I'm going to move on unless the Board  
25 has any questions of me with respect to the legal

1 argument.

2 DR. HUGH GRANT: Could I -- could I  
3 just ask you about 26(4)(viii) under the Crown  
4 Corporation's Public Review and Accountability Act?  
5 I'm just -- how do you interpret it? I -- I take your  
6 point about the clause that follows, but on this  
7 specific one when it talks about any compel -- any  
8 compelling policy factors?

9 MR. WILLIAM GANGE: Yes.

10 DR. HUGH GRANT: There's -- there's the  
11 issue of who's compelling in who's eyes, but in terms  
12 of a policy consideration how do you interpret that  
13 aspect of it? So in other words, clearly you don't  
14 expect a Board to make policy, so you're referring to a  
15 public policy that's going on.

16 And so it raises a spectre that with a  
17 particular government change, or anything happening,  
18 that something could be duly considered one (1) year  
19 and then not the next.

20 MR. WILLIAM GANGE: Well, somebody has  
21 to -- somehow the ash -- issue has to get before you.  
22 But -- but in terms of compelling, the -- the question  
23 is: Is it compelling to you, in your discretion? So  
24 of course this is compelling to me. Of course it's  
25 compelling to Dr. Miller. The -- the question is: Do

1 you consider it compelling and do you consider it  
2 relevant?

3                   And -- and I'm -- I'm going to urge you  
4 to say, Well, clearly it's -- it's relevant to the  
5 matter. We've brought that evidence before you. Now,  
6 does it -- does it change? Yeah, sure, of course, it -  
7 - it may well change.

8                   DR. HUGH GRANT:    And -- and so could  
9 you point to anything specific in terms of public  
10 policy in the province right now that would support  
11 some sort of income redistribution -- or however you  
12 might want to construe a -- an affordable -- a -- a  
13 low-income affordability plan?

14                   MR. WILLIAM GANGE:   Well, it -- it's  
15 apparent on its face, Mr. Grant. The policy  
16 consideration is, can you have a situation where --  
17 where people cannot afford their energy bill? The --  
18 the -- we have -- the -- the policy in Manitoba is that  
19 Manitoba Hydro is a public utility. It's not a private  
20 utility. The government -- and -- and I use that  
21 irrespective of -- of party, but the government of this  
22 province, since 1951 when Manitoba Hydro was -- was  
23 formed, April 15th, 1951 -- that must be my birthday --  
24 decided that -- that the -- the Province of Manitoba  
25 would provide energy to its -- its citizens.

1                   And all of that is fine. You only have  
2 one (1) choice for -- for getting energy, and that's  
3 from Manitoba Hydro. I guess you can -- you could say,  
4 Well, you could go out and cut trees. Yeah, you could,  
5 but hard to get your -- your power off -- with -- with  
6 that.

7                   But -- so -- so that the policy  
8 consideration is that -- that our society in Manitoba  
9 has decided that energy will be supplied to people.  
10 And if it's not affordable, then it's a hollow promise,  
11 isn't it?

12                   THE CHAIRPERSON: I don't think you're  
13 arguing that, you know, I don't think you're arguing  
14 this is an income redistribution mechanism. I think  
15 you're arguing --

16                   MR. WILLIAM GANGE: No, we are not.

17                   THE CHAIRPERSON: Okay. And that's --  
18 I think it's important we make that case, because  
19 clearly, our role is not to address income disparities  
20 in the population of Manitoba. Our role is to set  
21 rates in a way that is objective and reasonable, and  
22 ensures that people can pay their bills at the  
23 beginning of every month. Is that --

24                   MR. WILLIAM GANGE: Yes. Yes.

25                   THE CHAIRPERSON: So --

1                   MR. WILLIAM GANGE:    Yes.  Let -- let me  
2 say this, Mr. Chair.  We were here four (4) years ago,  
3 and -- and there was an attack upon Mr. Colton.  People  
4 -- there -- there were -- there were presentations to  
5 say, This is -- this is totally inappropriate, because  
6 what you are talking about is an income distribution --  
7 redistribution scheme.

8                   That is not what -- what Mr. Colton is  
9 urging.  Mr. Colton says, and -- and we believe that he  
10 provided you pretty good evidence, There is a business  
11 case.  It is -- it is good business for Manitoba Hydro  
12 to be involved in this kind of a process.  That's why  
13 he's hired by utilities themselves in the United  
14 States, to develop these kind of plans, because it  
15 makes sense for the utility.

16                   And that's what -- what was presented to  
17 you.  There is -- there is -- on one (1) side, it's a  
18 sound business practice, and on the other side, it is a  
19 fair and equitable way of making certain that the  
20 consumers of power are able to access power.  We're not  
21 talking income redistribution.

22                   MS. MARILYN KAPITANY:    Could I have  
23 just one (1) minute, please?

24

25

(BRIEF PAUSE)

1 THE CHAIRPERSON: I think probably the  
2 best thing to do for us would be to take a break now,  
3 and -- because I -- I don't think you'll be finished in  
4 the next few minutes. So let's take a break, and  
5 provide you with some relief on your throat -- on your  
6 -- you know, your voice. And then we'll come back in  
7 about ten (10) minutes or so for continuation. Thank  
8 you.

9

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

11 --- Upon resuming at 10:43 a.m.

12

13 THE CHAIRPERSON: Mr. Gange, back to  
14 you.

15 MR. WILLIAM GANGE: Yes. I'm not sure  
16 if Ms. Kapitany wanted to pursue a further question?

17 MS. MARILYN KAPITANY: I did, but I've  
18 been persuaded to hold my enthusiasm for the end of  
19 your presentation.

20 MR. WILLIAM GANGE: Okay. Diana, if  
21 you could go to page 9 of Exhibit 6? As I stated, that  
22 -- that concludes the argument with respect to the  
23 legal aspect on your jurisdiction.

24 The -- what follows here from pages 9  
25 to, I believe, 17, is a -- an elaboration of Mr.

1 Colton's recommendations. I'm not going to go through  
2 that in detail, and I'm going to leave the written  
3 material with you, and -- and -- but -- but I will say  
4 this. What Mr. Colton was -- was saying to you was  
5 that in -- in his view, the evidence supports the fact  
6 that there is a problem with the unaffordable aspect of  
7 power in Manitoba.

8                   Yeah, we're pretty lucky. No question  
9 about that. We pay lower rates than -- than virtually  
10 anybody else other than perhaps Quebec. And that's  
11 great for me as -- as a person who gets paid. It's not  
12 great for people that -- that suffer from what -- what  
13 Mr. Colton referred to as energy poverty.

14                   And no matter what the rates are, that  
15 problem of energy poverty is very real, and as he  
16 stated in -- in his interrogatory responses -- or  
17 Information Request responses, I'm sorry, there are  
18 tens of thousands of people in the Province of Manitoba  
19 that cannot afford the power that -- that is being  
20 supplied by Manitoba Hydro.

21                   And so the question becomes: What do  
22 you do about that? And his evidence is very  
23 compelling, and I think very persuasive, that Manitoba  
24 Hydro is not doing enough on that basis. And as a  
25 result of that, that's harmful to the Corporation

1 itself, and it's harmful to those people that suffer  
2 from energy poverty.

3                   So the recommendation is made to  
4 establish this process to see whether or not an  
5 Affordable Energy Program can be developed as a made-  
6 in-Manitoba solution. He's not asking you to do that  
7 work yourselves. He's not saying that on his one (1)  
8 day of testimony, so one (1) day out of a four (4) week  
9 hearing, he's not expecting -- and -- and Dr. Miller  
10 and I are not expecting, that the -- that -- that the  
11 four (4) of you have enough information that you could  
12 do this.

13                   But what is being recommended is that  
14 this collaborative process be set up under the  
15 direction of a PUB staff member, and I understand the -  
16 - the restraints upon you in terms of your staffing,  
17 and -- and I understand that's a problem. But you have  
18 the jurisdiction to -- to hire a consultant to -- to be  
19 your employee, to retain Mr. Peters, to retain Mr.  
20 Hombach, somebody that is in charge of this process.

21                   What the end result would be, we're not  
22 telling you. We're not saying, This is what it has to  
23 be, because, in my view, that would be presumptuous on  
24 our part and arrogant on our part to say that we know  
25 what -- what that made-in-Manitoba solution should be.

1                   But it -- it -- there is a belief by the  
2 Green Action Centre that smart minds and compromising  
3 minds can find a -- a solution to this problem. That's  
4 my summary of -- of this. I'm going to go through it  
5 in a little bit more detail.

6                   Dr. -- or Mr. Colton recognizes that  
7 there are traditional credit and collection mechanisms.  
8 But if you can't afford to pay, it doesn't matter how  
9 many times somebody calls you. If you don't have the  
10 cash in your pocket or in the bank, receiving ten (10)  
11 phone calls from a collection agency at Manitoba Hydro  
12 isn't going to make you pay.

13                   Diana, if you could go to page 10? GAC  
14 proposes that Manitoba Hydro have all of the tools that  
15 are needed to be able to address this issue both from  
16 the Company health perspective and from the consumer  
17 health perspective.

18                   The suite of interventions that Mr.  
19 Colton urges are that there should be traditional  
20 credit and collection mechanisms. Mr. Colton  
21 recognizes that -- that there are people who just don't  
22 like paying bills. They may have the dough, but they  
23 don't like parting with it. For those kinds of people,  
24 you do have to have traditional credit and collection  
25 mechanisms.

1                   There are people for whom emergency  
2 assistance is necessary. Then what we've argued very  
3 passionately about is that rate affordability  
4 assistance ought to be available to Manitoba Hydro.

5                   I recognize that there may be others  
6 that say, Well, no, that's not the way to go. We think  
7 it is. And as -- as Mr. Colton describes, billing  
8 somebody 70 percent on a hundred dollar (\$100) bill and  
9 collecting and -- and actually getting seventy dollars  
10 (\$70), because the person can afford to pay seventy  
11 dollars (\$70), is a whole lot better to the utility  
12 than somebody looking at a bill for a hundred dollars  
13 (\$100) and saying, I don't have a hundred dollars  
14 (\$100). Not paying any of it.

15                   Seventy (70) percent of a hundred is a  
16 whole lot better than zero percent of one hundred  
17 (100).

18                   He recommends that there be a -- a  
19 methodology for arrearage management. He also  
20 recommends that -- that part of this process is energy  
21 efficiency. So something that my friends at the  
22 Consumers Association have argued for a long time about  
23 -- about fixing houses. He agrees, Yes, that should be  
24 done.

25                   He also argues that fuel switching is

1 part of this process, and that conservation rates ought  
2 also to be part of the process.

3 All of these tools, rate -- interact  
4 with each other and -- and assist the Corporation in  
5 achieving its goal of receiving payment. If you've got  
6 energy efficiency, and so you're reducing what was a  
7 hundred dollar (\$100) bill -- a hundred dollar (\$100)  
8 utility bill down to eighty-five dollars (\$85) because  
9 of -- because of the improved housing. You've got a  
10 greater chance of collecting that money.

11 If you are incorporating fuel switching  
12 so that people are paying natural gas rates when they  
13 can rather than electrical rates it improves the -- the  
14 bottom line of Manitoba Hydro. And inclining block  
15 rates or conservation rates again is part of this  
16 process. Because there are many, Mr. Colton would  
17 argue, that -- that would benefit from an inclining  
18 rate where the -- the first block was much more  
19 affordable because they don't use that much power.  
20 And, yes, inclining block rates can have a negative  
21 effect upon some people because they may go into the  
22 second block and pay more. That's true. But on an  
23 overall basis it's our view that -- that the working  
24 poor, the energy poor, would benefit from conservation  
25 rates.

1                   One (1) of the questions that has been  
2 raised -- and, Diana, if you could go to page 11.  
3 Thank you. Is -- is how -- how effective is this --  
4 just a little bit further -- eligibility and  
5 enrollment. How -- how many people are you actually  
6 going to attract? You don't know because it hasn't  
7 been tried here. You're not going to attract 100  
8 percent of the energy poor. You're never going to do  
9 that. There are too many reasons why people will not  
10 sign up for such a program. But for those that will  
11 they would en -- enjoy a benefit.

12                   Those questions of eligibility and  
13 enrollment are part of the collaborative process. And  
14 Mr. Colton has given, in his direct testimony, a number  
15 of possible ways to do that. He recommends that as  
16 wide a -- a database as possible, obtaining information  
17 from government agencies; obtaining information from  
18 community-based organizations; acc -- obtaining  
19 information from First Nation and Metis communities,  
20 agencies, and leaders. But that's a process for the  
21 collaborative -- or those are decisions for the  
22 collaborative process.

23                   I don't -- the -- the point that I want  
24 to make to you is don't get hung up on technical issues  
25 to say, Oh, well, this -- this -- maybe this wouldn't

1 work because of this or because of that. Or because in  
2 some other jurisdiction only 35 percent of the people  
3 signed up. So what? It's -- it's up to the  
4 collaborative process to make it work. And that's the  
5 point. Un -- until such time as -- as the  
6 collaborative process is put into effect you're not  
7 going to know how -- how effective it would be.

8                   Diana, if you can go to page 14. One  
9 (1) of the points, though, that -- and -- and down.  
10 One (1) -- one (1) of the points that -- that Mr.  
11 Colton makes -- and -- and it's a criticism that he  
12 makes of Manitoba Hydro -- to say well -- what he  
13 refers to and what the literature refers to as a  
14 segmentation study has never been done. And he says  
15 that -- that ought to be -- that ought to have been  
16 done long ago to find out who it is that can't pay and  
17 why they can't pay so that that would be part of the --  
18 again, part of the collaborative process to find out  
19 that information, to undertake a segmentation study, to  
20 do that quickly, to do it efficiently, but not to waste  
21 time. Not to delay this matter, but to get the  
22 information that is required.

23                   And he points out that -- that -- at  
24 page 15 that when such a study was done in Wisconsin  
25 that very surprising results came about where it was

1 found that 12 percent of the -- of the people facing  
2 disconnection in Wisconsin had the money. They could  
3 have paid, but they chose not to until they were faced  
4 with disconnection.

5                   Forty-one (41) percent had enough money,  
6 but were lousy at budgeting and were preferring -- and  
7 -- and this point, doing other things with their money.  
8 Twelve (12) percent were either -- were either going  
9 into or coming out of poverty. Sixteen (16) percent  
10 were simply poor and -- and lacked enough resources to  
11 pay their bills. And 19 percent were poor and -- and  
12 felt that it was their fault.

13                   So we do think that -- that that kind of  
14 information would be of -- would be of exceptional  
15 assistance to this Board, to Manitoba Hydro, and to  
16 those parties that choose to take part in the  
17 collaborative process.

18                   Diana, if you can go to page 17 and  
19 halfway down. Thank you. We've argued that this --  
20 that -- that the proper method of doing such a  
21 collaborative process would be for you to take charge  
22 of this. And why? Why don't you just say, Okay,  
23 Manitoba Hydro, go and do it.

24                   Well, there's a whole bunch of reasons.  
25 And with all due respect to My Friends at Manitoba

1 Hydro, they've got a lot of other things on their plate  
2 and this hasn't been one that's really caught their  
3 fancy so far. And -- and unfortunately, when -- things  
4 sometimes disappear.

5                   Professor Miller and I were attempting  
6 to get the fuel switching report for what seemed like  
7 years before Mr. Kuczek finally was able to give it to  
8 us and we were grateful that he did give it to us when  
9 he did, but we would have liked it a lot earlier. But,  
10 other -- other things get in the way.

11                   But if it's -- if -- if you are the ones  
12 -- your -- your staff member is the one that is running  
13 the process, you can ensure that timelines are set.  
14 You can ensure that people are following through on  
15 what they're supposed to do. Manitoba Hydro cannot be  
16 the leader and a stakeholder at the same time. Those  
17 two (2) -- those two (2) points are -- are in conflict.  
18 As well, the province would be in a conflict.

19                   So from our perspective, the -- it's  
20 important that you are the ones giving your approval to  
21 this process. You're the ones that are directing it.  
22 I'm going to -- I'm going to end what I -- is perhaps a  
23 -- a superficial review of the collaborative process.  
24 It's -- it's set out in much greater detail in -- in  
25 the written argument and in Mr. Colton's direct

1 testimony but I'm going to summarize it by saying, you  
2 have the -- you -- there's three (3) points. Number 1,  
3 you have the jurisdiction to do it. Number 2, there is  
4 a pressing social need for this to be done. And number  
5 3, the best way of making sure that it gets done is for  
6 you to have ownership of the process.

7                   At page 18 we go on to talk about the  
8 connections between lease cost planning, DSM,  
9 conservation rates, and bill affordability.

10

11                   (BRIEF PAUSE)

12

13                   MR. WILLIAM GANGE: Again, because of  
14 timing, I don't -- I don't want to be the only one (1)  
15 speaking today. I -- I'm not going to go into great  
16 detail with respect to this. I am going to say,  
17 however, that -- that what we believe you heard at this  
18 testimony -- at -- at this hearing was that adding  
19 conservation rates and an affordable energy program for  
20 low-income customers to compliment Power Smart DSM  
21 initiatives will allow Manitoba Hydro to better fulfill  
22 it's mandate and multiply its social and econom -- and  
23 -- and environmental benefits. We attended last  
24 year's NFAT hearing. You heard on numerous occasions  
25 the -- the concept of resource planning, and you

1 addressed resource planning at page 22 of your decision  
2 when you said -- and -- and this is on page 19 of -- of  
3 -- thank you, Diana.

4                   In 2014 Manitoba Hydro also prepared a  
5 fifteen (15) year supplementary plan. In that plan,  
6 Manitoba Hydro expects to offset 66 percent of  
7 anticipated load growth to 2028/'29, saving 1,136  
8 megawatts of capacity and 3,978 gigawatts of dependable  
9 energy annually. The capa -- to -- to place this into  
10 perspective, the capacity savings in the supplementary  
11 plan amount to more than 80 percent of the net system  
12 capacity addition from the proposed Conawapa project.

13                   Similarly, the annual dependable energy  
14 savings from the Power Smart plan exceed 85 percent of  
15 the dependable energy output from the proposed Conawapa  
16 project. To achieve these electricity savings,  
17 Manitoba Hydro budgets \$822 million, which is less than  
18 8 percent of the 10.7 billion -- billion cost of  
19 building Conawapa.

20                   We've set out on page 20, one of the  
21 graphs that was provided by Mr. Kuczek and his panel in  
22 terms of -- of the savings that -- that can be  
23 achieved, and we would note that a third of the  
24 conserved energy is expected to come from standard  
25 power part -- Power Smart energy and efficiency

1 programs, and that -- that the efforts of Manitoba  
2 Hydro in dealing with codes and standards, fuel  
3 switching, conservation rates, and load displacement,  
4 and alternative energy are set out quite well in this  
5 graph.

6                   At page 21 we've also set out one of the  
7 -- the charts that was provided by Mr. Kuczek. And --  
8 and this chart, when it's compared to the one  
9 previously, discloses just how important those things  
10 such as codes and standards, fuel switching,  
11 conservation rates, and load displacement are.

12                   The chart on page 20 we would describe  
13 as mountains, the chart on page 21 we would describe as  
14 molehills. They're important, but -- but when you put  
15 all of that together it makes such a significantly  
16 greater impact. And -- and that's one of the reasons  
17 why Green Action Centre has, for the last decade, been  
18 urging this Board to consider conservation rates.

19                   And when the question of rate design  
20 comes up in the next hearing, it'll be front and centre  
21 with -- with our presentation.

22

23   (BRIEF PAUSE)

24

25                   MR. WILLIAM GANGE:    We point out at

1 page 22 of the -- of the written summary the fact that  
2 -- that for a period of time the Public Utilities Board  
3 did order inclined rates. It was -- it was a modest  
4 introduction to inclined rates. At the time that it  
5 was imposed we were very happy because we saw a very  
6 progressive change on the way. That didn't happen.

7           And -- and the reason, from our  
8 perspective, that it didn't happen was because  
9 unaffordable bills were -- were being incurred by all-  
10 electric customers. And -- and that was not solved.  
11 It -- it ought to be solved. And -- and in -- in the  
12 future hearing we expect that that will be one (1) of  
13 the significant issues.

14           I'm going to talk about one (1) last  
15 thing, and that's on page 24, demand-side management  
16 and the devolution of DSM responsibilities to the  
17 entity.

18           Attached to the -- to the written  
19 argument is a letter written November 14th, 2014, by  
20 Lisa Quinn, chair of the Green Action Centre Policy  
21 Committee. And, Diana, that's page 27, I believe.  
22 Yes.

23           When the -- when the question of the,  
24 quote, "entity" was -- was introduced, Green Action  
25 Centre did write to the minister responsible for

1 Manitoba Hydro to raise concerns.

2                   This hearing is -- exposed a number of  
3 issues with respect to the creation of the separate  
4 entity. And, quite frankly, the Green Action Centre is  
5 not in favour of removing demand-side management  
6 responsibilities from Manitoba Hydro unless a way can  
7 be found to preserve Mani -- Hydro's -- Manitoba  
8 Hydro's many strengths and advantages in this area.

9                   We've not seen an alternative presented.  
10 As discussed in the hearing, the efforts of the DSM  
11 team at Manitoba Hydro are projected to result in a  
12 savings of energy comparable to the energy produced by  
13 the Brandon thermal station, Wuskwatim, and Keeyask  
14 combined. That was slide 20 of Manitoba Hydro Exhibit  
15 number 67 and the discussion on pages 2,934 to 2,938.

16                   These savings come at a much lower cost  
17 to the Manitoba consumer than does the generation of  
18 new power sources. The question raised at the NFAT was  
19 whether past achievements can be continued or exceeded  
20 in the future at the level of achievement of other  
21 leading jurisdictions.

22                   During this hearing, Mr. Kuczek  
23 presented a strong case for the deep integration of  
24 Power Smart activities with Manitoba Hydro activities,  
25 and the considerable technical and programming

1 expertise.

2                   Mr. Kuczek testified that many of the  
3 people involved in DSM activities may only work on DSM  
4 on a part-time basis while fulfilling other  
5 responsibilities for the Corporation.

6                   These types of synergies would not be  
7 possible with a stand-alone corporation responsible for  
8 DSM activities unless a degree of integration of  
9 activities could be achieved.

10                   We've also seen that even more important  
11 than Power Smart incentive programs is the  
12 establishment of better codes and standards for  
13 buildings, appliances, and equipment. Mr. Kuczek's  
14 presentation cited the contribution of Dale Friesen,  
15 Colleen Kuruluk, and other staff driving those  
16 standards at the national and provincial level.

17                   And -- and then, as I mentioned, GAC has  
18 communicated our understanding of the reasons for the  
19 divestment proposal as well as our reservations and a  
20 discussion of alternatives in a letter to the province,  
21 which is attached.

22                   I'm going to conclude my presentation,  
23 Mr. Chair, by saying that the 2015 general rate  
24 application provides significant challenges to the  
25 Public Utilities Board, Manitoba Hydro, and to the

1 Intervenors.

2           We have two (2) competing demands that  
3 must be addressed. On the one (1) hand, the purpose of  
4 a rate hearing is to establish rates that return to the  
5 Corporation in full the cost to the Corporation of  
6 supplying power. The purpose of the rate hearing is to  
7 ensure a healthy utility.

8           Given the costs that will be incurred by  
9 virtue of the construction of Keeyask and Bipole III,  
10 there's a significant need to increase rates to fund  
11 the expenses that will be incurred.

12           The competing demand is that some  
13 members of our society cannot afford to have their  
14 energy bills increase at a rate of 3.95 percent per  
15 year for the foreseeable future.

16           Some families suffer from energy poverty  
17 right now, and have done so for years. Those families  
18 will fall further behind with every rate increase.  
19 Further, with every rate increase, there will be more  
20 people that will be captured by the energy poverty net.  
21 For those families and individuals who suffer energy  
22 poverty, no rate increase is justified. These two (2)  
23 demands are irreconcilable at present.

24           GAC supports the concept of a healthy  
25 Manitoba Hydro. As a result, GAC supports the

1 application to increase rates by 3.95 percent. It is  
2 the view of GAC that the evidence supports the  
3 requirements of Manitoba Hydro to increase rates during  
4 this period of expansion.

5           The Green Action Centre is also mindful  
6 of the significant costs that the Corporation will have  
7 to incur for the maintenance of its existing assets.

8           For many the rate increase proposed is  
9 of little consequence. Most of us do not suffer from  
10 energy poverty. But what can be done to ease the  
11 burden of those for whom the cost of energy is truly a  
12 hardship? The main focus of our intervention in this  
13 rate application has been to suggest to the Board a --  
14 a solution -- maybe I should have said a possible  
15 solution -- to the reality of the competing demands.

16           We recognize that the development of an  
17 Energy Affordability Plan is a complex issue. It is  
18 not something that can be developed on the fly, or in a  
19 four (4) week hearing with one (1) day dedicated to the  
20 issue. That is why we have suggested to the Board that  
21 the proper method of approaching this question is to  
22 order a collaborative approach under the supervision of  
23 PUB staff that involves the interested parties to study  
24 and to design a made in Manitoba Energy Affordability  
25 Program.

1                   We know that there will be differences  
2 of opinion on how that program would work. We know  
3 that it would be -- that it will require creative  
4 thinking and compromise. It is the position of GAC  
5 that such a process would work best under the  
6 supervision of PUB staff. It is our view that such a  
7 process is the only method of attempting to accommodate  
8 the two (2) competing demands facing the Board at this  
9 rate hearing. Thank you for your patience. Happy to  
10 answer any questions.

11

12                   (BRIEF PAUSE)

13

14                   DR. HUGH GRANT: I'm just going to ask  
15 one (1) brief thing. In -- in your document, I think  
16 it was under heading 5, I was waiting to hear how bill  
17 affordability fit into this bigger picture of DSM. And  
18 I think I heard at the end in your argument why you see  
19 bill affordability as important. You want a healthy  
20 Manitoba Hydro and yet you're concerned about some  
21 people in the bottom tail of the distribution who are  
22 going to suffer some consequences from higher rates.

23                   Is there a more integrated way in which  
24 you see bill affordability link to things like DSM? Do  
25 -- have...

1                   MR. WILLIAM GANGE:   Well, of course,  
2 bill affordability and DSM are -- are fingers of the  
3 same glove.  DSM specifically addresses the issue of  
4 how much energy is used.  But DSM also results in the  
5 reduction -- the potential reduction of bills that are  
6 -- are incurred by the consumers.  Every -- every penny  
7 that is saved as a result of DSM is tied in with  
8 affordability.

9                   Let me use the example that -- that my  
10 friends at -- at CAC have focused in -- upon and have  
11 stressed.  And that is improvement of existing housing  
12 stock.  Because if you've got a house that is terrible  
13 in terms of leakage you're paying an extraordinarily  
14 high and unnecessary bill.  If that -- and -- and that  
15 -- that bill may put a person into the -- the range  
16 that we def -- define as energy poverty.

17                   The DSM can bring that bill down so that  
18 the gulf between an affordable rate and the actual rate  
19 is lessened.  And -- and if that -- and -- and the DSM  
20 would make the Energy Affordability Program that much  
21 less expensive because now -- it -- it may not -- so --  
22 so that if -- if a person can only afford a seventy  
23 dollar (\$70) bill and they're paying a hundred dollars  
24 (\$100), they're thirty dollars (\$30) out.  And the  
25 energy affordability program, in -- in that

1 circumstance, would result in a loss of thirty dollars  
2 (\$30).

3                   But if the DSM reduced the bill to  
4 eighty-five dollars (\$85), now all of a sudden the  
5 energy affordability plan, it's still in effect, but  
6 it's only encountering a -- a cost of fifteen dollars  
7 (\$15). So -- so, Dr. Grant, as -- as I say, from --  
8 from our perspective, they -- they go hand in hand.  
9 The -- the conservation rates are tied in -- they're --  
10 they're intertwined with -- with the energy  
11 affordability and DSM. All of those things -- as -- as  
12 Mr. Colton said, it's a suite of interventions. They  
13 all come together.

14                   DR. HUGH GRANT:    Okay. I -- I won't  
15 belabour it. I guess I was just saying some -- at some  
16 stages you could see things like energy conservation  
17 and bill affordability as being compatible, but at  
18 other times DSM may be an alternative to bill  
19 affordability.

20                   And so can we resolve it here that if  
21 you had an integrated approach to it, it would be the  
22 best -- the best means of achieving it?

23                   MR. WILLIAM GANGE:    Absolutely.  
24 Absolutely. I don't think that they're ever -- I don't  
25 think they're ever incompatible. DSM -- let me use --

1 let me use my -- my example again. Let's say you've  
2 got a hundred dollar (\$100) bill. You can only afford  
3 seventy dollars (\$70), but the -- the DSM measure, if  
4 it -- if it changed -- if a fuel switching process was  
5 put into place and proper insulation was established,  
6 it could conceivably reduce the bill to sixty dollars  
7 (\$60) so that now there is no need for that one person  
8 to be on the -- the energy affordability program,  
9 because they've -- they now have an affordable bill.

10 So as I say, they're all integrated.

11 Does that -- does -- does that make our position clear?

12 Does it answer you question, I guess is --

13 DR. HUGH GRANT: Yeah, I think so.

14 MR. WILLIAM GANGE: Okay. Thank you.

15 THE CHAIRPERSON: I do have a question  
16 in relation to the collaborative process you're  
17 recommending, and specifically I'm concerned about the  
18 fact that that process seems to be focused exclusively  
19 on bill affordability when clearly Mr. Colton suggested  
20 there should be an array -- as part of an array of  
21 tools. And -- and clearly there were some issues  
22 identified by Dr. Colt -- or Mr. Colton, rather,  
23 regarding some of those tools.

24 So do you envision a process that  
25 encompasses more than just bill affordability?

1 MR. WILLIAM GANGE: And -- and it -- it  
2 was the easiest way for me to talk about this is the  
3 rate affordability program. But -- but you have it  
4 correct, Mr. Chair. Mr. Colton's vision is a suite of  
5 interventions. And -- and although I focused in my  
6 presentation upon the rate affordability program,  
7 dealing with rates, it's the whole process. And -- and  
8 as I -- as -- as I attempted to make clear, I'm not  
9 suggesting to you that there is a preordained result  
10 that would occur from that -- that collaborative  
11 process. I -- I'm not.

12 I'm -- I'm saying that -- that there are  
13 a number of issues, and -- and Mr. Colton identifies  
14 all the issues, that have to be part of that integrated  
15 approach. And -- and so I -- I don't want to appear --  
16 the word that I've used is so 'arrogant' as to believe  
17 that I can tell the collaborative process team what  
18 they're going to decide. I'm just throwing out the --  
19 the possible range of -- of tools that could be in, as  
20 Mr. Colton says, in the toolbox.

21

22 (BRIEF PAUSE)

23

24 THE CHAIRPERSON: Thank you. That  
25 completes the questions from the panel, I believe. So

1 I'll -- on behalf of the panel, I would like to thank  
2 Dr. Miller, Mr. Gange, thank you very much for your  
3 collaboration in this process, and the contribution you  
4 have made. And that of Dr. Colton --

5 MR. WILLIAM GANGE: Thank you very much  
6 --

7 THE CHAIRPERSON: -- Mr. Colton,  
8 rather. So, thank you very much for that. Now, I'll  
9 call on Mr. Williams.

10 MR. BYRON WILLIAMS: Mr. Chair, I -- I  
11 believe Ms. Pambrun and I will be approaching jointly,  
12 not that it's a joint presentation. But she's got  
13 about fifteen (15) minutes, but rather than avoiding --  
14 to avoid some shuffling around I'll move up with her,  
15 not necessarily endorsing their position.

16

17 (BRIEF PAUSE)

18

19 CLOSING SUBMISSIONS BY CITY OF WINNIPEG:

20 MS. DENISE PAMBRUN: Thank you for your  
21 indulgence, Mr. Chairman. My apologies for being late  
22 this morning. I was -- I was over at the courthouse  
23 this morning on another matter.

24 And thank you to Mr. Williams for  
25 allowing me to precede him. He made it sound there as

1 if we were going to do a little soft shoe number  
2 together, or maybe I'm the monkey and he's the organ  
3 grinder. I'm -- I'm not sure what the plan was  
4 exactly, but I'll -- I'll try to do the -- do the dance  
5 appropriately.

6                   As I indicated to you in my opening  
7 comments, the City's role in these proceedings is  
8 considerably more limited than that of my numerous  
9 colleagues in the room. But to -- to the City, it is  
10 just as important as the issues raised by my colleagues  
11 are to their clients.

12                   The City's issue revolves solely around  
13 the issue in the class of area and roadway lighting,  
14 and as the evidence disclosed it is a small class in  
15 terms of the dollars to Manitoba Hydro in the order of  
16 \$22 million, and the City pays a little over half of  
17 that. And it is the single largest consumer of -- in  
18 the area and roadway lighting class in the Province of  
19 Manitoba.

20                   I did file, for your consideration,  
21 Exhibit City of Winnipeg number 4, which is a sample  
22 invoice which the City received. That one happened to  
23 be in the month of April of 2015.

24                   And from it and the cross-examination we  
25 were able to demonstrate, I think to your satisfaction,

1 that unlike for residential or general service  
2 customers the billing determinate for the City of  
3 Winnipeg is luminaires, actual -- the number of actual  
4 lights that you see on the streets of the City of  
5 Winnipeg if we ever pause to look up.

6                   Not only the number, but the type.  
7 Whether it's a mercury vapour or a high-pressure sodium  
8 or an LED light, or even an incandescent or a flood  
9 light, but also the wattage of that particular light,  
10 75 watts, a hundred watts, 150 watts, up to 1,000  
11 watts, and whether it's on a shared or an exclusive  
12 pole.

13                   Shared, that is it shares the poles with  
14 other services such as cable or MTS, or whether it's --  
15 sits alone, all alone, lonely on its own little pole by  
16 itself, which makes sense because of course Manitoba  
17 Hydro would be receiving revenue from other users of  
18 the pole.

19                   So these are the determinates which  
20 indicate how -- what rate the City is going to pay.  
21 And we looked at the bill, and we could see there were  
22 different rates depending on what type of luminaire,  
23 what the wattage was, whether it was on a shared or  
24 exclusive pole, and that kind of thing.

25                   So that is the analogy, or the

1 equivalent for the City of Winnipeg to the meter that  
2 is in the homes of any City of Winnipeg residents so  
3 they can look at their meter or they report their meter  
4 reading to Manitoba Hydro, and they get a reading and  
5 they are -- they're aware of what they pay per -- per  
6 unit.

7                   For their billing purposes, the City of  
8 Winnipeg pays based on how many lights there are out  
9 there, what kind, what kind of pole they're on, et  
10 cetera.

11                   Now, as a consumer, if you get a bill  
12 from Manitoba Hydro, and your monthly bill -- in my  
13 case, in the winter, it's about eight hundred dollars  
14 (\$800) a hou -- month. I hope for most of you it's a  
15 little less than that, but I have a very leaky old  
16 house.

17                   For most of you, if your average monthly  
18 bill, say, is three hundred dollars (\$300), and in one  
19 (1) month, you get a bill that's eight hundred dollars  
20 (\$800), you would probably freak out. And you would  
21 phone Manitoba Hydro and you'd say, Something went  
22 wrong here. There's obviously something wrong with my  
23 meter.

24                   And they might say, Oh, you know,  
25 perhaps you read it wrong this month, or, Wait till

1 next month and it'll correct itself, or something. But  
2 if it happened six (6) months in a row and you had  
3 these outrageous readings, they would probably come  
4 down and test your meter, take it in, replace it, take  
5 it into the shop.

6           And there is actually requirements under  
7 legislation, federal legislation, that requires them to  
8 test meters if they're not accurate. I probably could  
9 point you to the website. I know Mr. Todd provided it  
10 to me, and if there's any questions on that, I could  
11 provide it.

12           But in any event, they would certainly  
13 have a way of checking whether or not you were billing  
14 -- being billed accurately.

15           Well, the City doesn't have a meter.  
16 All we have is these counts of luminaires and types and  
17 poles. And so if the City is concerned about whether  
18 it is being billed accurately, and it has been for a  
19 number of years, naturally, we would go back to Hydro  
20 and say, Well, you know, are we sure we have the right  
21 number of luminaires here?

22           Are we sure that we -- we're -- we've  
23 got an accurate record as to whether they're not on  
24 share -- they're -- they're on shared or exclusive  
25 poles? Have we got the wattages correct?

1                   Are we sure they're all mercury vapour  
2 or high-pressure sodium luminaires? And you're  
3 bringing in LEDs. Where are those going? And if we're  
4 not sure, we would like to have our meter read. And  
5 the equivalent of our meter reading, of course, is to  
6 actually make sure we have the accurate number of  
7 lights and the accurate type of lights.

8                   Now, we know from some of the IRs that  
9 we received that there are seventy-five thousand  
10 (75,000) -- roughly seventy-five thousand (75,000)  
11 luminaires in the City of Winnipeg, so that is a big  
12 job to have that information.

13                   So we might not want to check every  
14 single one, but we might want to do some kind of a spot  
15 check. So we might look at our invoice for one (1) of  
16 the -- we have seventeen (17) invoices per month, and  
17 presumably that relates to a particular area. So we  
18 might go to that area and start doing a spot check  
19 there.

20                   The problem is, as we know from the  
21 evidence, is that Manitoba Hydro cannot identify the  
22 location or the boundaries for any one (1) of those  
23 seventeen (17) invoices. So there's one (1) that I  
24 gave you for Saint Boniface. Well, they can't tell us  
25 what the boundaries are related to that invoice.

1                   So there's -- and I can't remember.

2   Maybe there's eight thousand (8,000) luminaires on that

3   particular invoice. They can't tell us where those

4   eight thousand (8,000) luminaires are supposed to be.

5   It says Saint Boniface, but they can't give us the

6   boundaries of what they consider to be Saint Boniface.

7                   So we can't go count and find out if

8   there are, in fact, eight thousand (8,000) luminaires

9   in Saint Boniface. We can't go and check whether

10   there's, of the eight thousand (8,000) luminaires, five

11   thousand (5,000) are HPS. And of those five thousand

12   (5,000) HPS, there are sixty (60) of -- which are 100

13   watts, and of those, twelve (12) are on shared poles

14   and the remainder are on exclusive poles.

15                   So we have no way of knowing whether we

16   are bill -- being billed accurately. There's no way to

17   test our meter.

18                   Now, you may say, Well, who cares?

19   Well, we say, Because we're not confident the bills are

20   accurate. And I will give you an example.

21                   We don't think there are any mercury

22   vapour lights left in the City of Winnipeg. Mercury

23   vapour lights are very old technology. They were

24   supposed to be replaced a conversion ago, two (2)

25   conversions ago, really.

1 Mercury vapour lights were part of a  
2 conversion process ten (10) to twenty (20) years ago.  
3 They were replaced with high-pressure sodium. Well,  
4 we're now in the process of replacing high-pressure  
5 sodium with LED lights.

6 There shouldn't really be any mercury  
7 vapour lights left in the City of Winnipeg. They're  
8 very inefficient. But if you look at the invoice, the  
9 -- the data that was provided as part of the IRs, there  
10 are still eight hundred and three (803) mercury vapour  
11 lights in the City of Winnipeg for which we're still --  
12 still being billed.

13 We -- we have -- we would love to go and  
14 replace them all. They're very inefficient. We get  
15 charged at a -- quite a high rate. If Hydro won't  
16 replace them, we'd love to go replace them. But they  
17 can't tell us where they are. So we don't know if  
18 we're being billed for very inefficient lights. Maybe  
19 they were replaced some time in the last twenty (20)  
20 years, and we're being billed for lights that aren't  
21 still there. Or maybe they did replace them, and  
22 they've been wrong -- we're -- we're being double billed.  
23 We have no way of knowing.

24 We do know that we don't have confidence  
25 in the data, and we do know that we have no way of

1 checking that data, because we don't know where the  
2 lights are. And short of going out and actually  
3 physically counting seventy-five thousand (75,000)  
4 lights, we have no way of knowing. And frankly, I'm  
5 not sure most taxpayers of the City of Winnipeg would  
6 consider that a really good use of taxpayer money to go  
7 out and send some city employee out to count seventy-  
8 five thousand (75,000) lights, when the people who are  
9 billing us, it's really their responsibility to give us  
10 some confidence that they're billing us accurately.

11           Now, Hydro conceded in cross-examination  
12 that they have never done an audit or an inventory of  
13 their luminaires for which they bill us. They still  
14 have confidence in that data, but they concede they've  
15 never done an audit. I'm not sure why. Can you think  
16 of a business, say, a retail business, that never does  
17 an audit of its stock? I think most businesses do, do  
18 audits. Their answer is, Well, you know, we keep up to  
19 date, because work orders come in and we check it as we  
20 go. Well, lots of businesses check things as they go.  
21 You know, they get in stock in every month. They put  
22 it on the shelf, things get sold, it goes out, but they  
23 still do monthly or annual audits. That's a standard  
24 business practice.

25           Their other answer is, Well, we're

1 relying on the City's data. Winnipeg Hydro got sold to  
2 Manitoba Hydro, so it's your data. We're relying on  
3 that. Well, I have two (2) answers to that.

4                   One (1), that sale happened thirteen  
5 (13) years ago. You could check that data once in  
6 thirteen (13) years. But I think the other, more  
7 important, data is we sold twenty-five thousand  
8 (25,000) luminaires to Manitoba Hydro. There are  
9 seventy-five thousand (75,000) luminaires in service.  
10 Manitoba Hydro, when it purchased Winnipeg Hydro,  
11 Winnipeg Hydro serviced about a third of the city,  
12 twenty-five thousand (25,000) luminaires to the  
13 seventy-five thousand (75,000) that Manitoba Hydro had  
14 in place -- has in place now.

15                   Winnipeg Hydro only serviced about a  
16 third of the city. Manitoba Hydro serviced the  
17 remainder of the city. So how does the answer, Well,  
18 City, you -- you gave us these -- you sold us these  
19 luminaires. We can rely on your data. How does that  
20 account for the other two-thirds (2/3) of the city?  
21 Where's the reliability for that data? You've never  
22 done a -- an audit. You can't tell us where anything  
23 is. You don't have maps that show boundaries. But  
24 they still have confidence in their data. Well, I  
25 don't, and I don't think this Board should have

1 confidence in the data.

2

3

(BRIEF PAUSE)

4

5 MS. DENISE PAMBRUN: They did provide  
6 us with a map. That's Exhibit City of Winnipeg number  
7 5, but it's a map with five (5) districts. Now, they  
8 provided us with that map in 2010. Unsurprisingly, I  
9 asked for the map for the seventeen (17) districts  
10 again this GRA, and they sent me an email saying, We  
11 provided you the -- with this map in 2010. They didn't  
12 seem to recognize that seventeen (17) districts does  
13 not equal five (5) districts, and it didn't answer the  
14 question.

15 And then when we got to cross-  
16 examination, they said, M-hm, well by the way, this map  
17 is out of date anyway. There really only should be  
18 four (4) districts. And I'm going to come back to this  
19 point when I answer in -- more fully a question that  
20 the Chair asked me at the end of my cross-examination.

21 Now, I want to talk about the fact that  
22 we discovered through the IR process that there was  
23 another whole system that Hydro does have, the GIS  
24 system, which actually has all the data that you would  
25 require to answer the City's questions. The GIS

1 system, they tell us, has now gone through the process.  
2 They've gone through the process of mapping out every  
3 luminaire in the City of Winnipeg. It's got -- every  
4 luminaire has a little bar code. It identifies what  
5 type of light it is, mercury vapour, HPS, LED, its  
6 wattage, whether it's on a shared or exclusive pole,  
7 and its location.

8                   Everything we need to know for the  
9 purposes of determining the accuracy of the bills that  
10 go to the City of Winnipeg. Well, you think, there's a  
11 perfect solution. Match it up to the billing system  
12 and you -- you would be able to answer our questions.

13                   But Hydro's reluctant to do that. And  
14 their answer is, Well, the data's not perfect. And the  
15 example we got was, Where it says 'shared' and  
16 'exclusive', there's a third box. There's a box  
17 'shared', there's a box 'exclusive', and there's a box  
18 'don't know', or 'other', or something. It still  
19 sounds like more reliable data than what we've got in  
20 the billing system, and I fail to understand why no  
21 efforts have been made to do this match of the GIS  
22 system, which has the data, is clearly more up to date  
23 and reliable than the old system they've been relying  
24 on for decades.

25                   Probably based on their old paper system

1 that is an historical system in the sense that their  
2 record went in when the light was installed, and it's  
3 just updated each time the light is either repaired or  
4 replaced. It's clearly more recent and more reliable  
5 than the existing system, especially when we have been  
6 raising at -- for at least six (6) years since I've  
7 been on this file, and I know before that, our concerns  
8 about the accuracy of the billing system.

9           Why not make some effort to match those  
10 two (2) systems to give us some comfort? And if they  
11 don't match very well, start giving us what information  
12 you can so we can collaborate and go do some of that  
13 checking and -- and gain some comfort, or at least  
14 start correcting some of the errors that we believe are  
15 out there. And if we're wrong, great, we're wrong.  
16 But at least we will then have some confidence in what  
17 there is.

18           But they're planning to hold off that  
19 process until the LED conversion is done, and maybe by  
20 then they'll have done the upgrades on the cleanup of  
21 the GIS system. Well, we've been waiting quite a long  
22 time already, and we don't want to wait any longer. If  
23 we've been overpaying, we've been overpaying for some  
24 time, and we don't want to overpay any longer. And we  
25 don't know why we have to wait even further for

1 corrections to begin, for cleanup to begin, for some  
2 con -- to -- to have some confidence in the amounts  
3 that we are paying.

4           And they are reasonably significant  
5 amounts. It is over \$11 million a year. And I think  
6 we should be entitled to tell our taxpayers, It's a lot  
7 of money. It's a lot of your money. We would like to  
8 know that we are required to pay this money.

9           We know that the LED conversion in year  
10 1 did not occur on schedule. We don't have any  
11 information that they have caught up. What if it isn't  
12 completed in the seven (7) year time program that is  
13 scheduled? What if it takes ten (10) years, instead?  
14 Does that mean we will wait until 2024 before the  
15 conversion is completed and any attempt is made to  
16 match the GIS system to the billing system? Do we have  
17 to wait another nine (9) years before anyone even  
18 attempts to clean up the records?

19           There's a lot of unanswered questions.  
20 And while they have the confidence in the system, that  
21 confidence may not be matched elsewhere. Surely, the  
22 City is entitled to some greater level of confidence,  
23 considering that we are paying these bills and there is  
24 no other way to measure the accuracy against some  
25 reasonable objective standard.

1                   Now, I'd like to talk about the rates  
2 themselves. The rates for LEDs, as proposed, are based  
3 on the current rates. And the answer from Manitoba  
4 Hydro was, Well, you should be happy with those,  
5 because the current rates have been approved by the  
6 PUB.

7                   Well, I appreciate that, and I'm  
8 certainly not meaning any disrec -- disrespect to the  
9 PUB. The rates are fair in that sense. But where the  
10 problem arises is that the rates may not be fair vis-a-  
11 vis each other, vis-a-vis different luminaires within  
12 the class.

13                   And the problem with that is because the  
14 cost-of-service study on which those rates are based is  
15 a 1990 cost-of-service study. And that study was done  
16 at a time when there were no LEDs. That cost-of-  
17 service study does not include data on 750 watt HPS or  
18 a 1,000 watt HPS.

19                   That the makeup of that study was based  
20 -- was -- consists of about 75 percent mercury vapour  
21 luminaires. And we know now that even assuming the  
22 data -- the data is correct, at most, eight hundred and  
23 three (803) of the luminaires of the seventy-five  
24 thousand (75,000) are mercury vapour. So the makeup of  
25 the -- of the area and roadway lighting has completely

1 changed in the last twenty-five (25) years. It is --  
2 it is unrecognizable.

3           So the cost-of-service study, Manitoba  
4 Hydro concedes, is out of date and it is completely  
5 inapp -- inapplicable in 2015, and will be even more  
6 inapplicable by 2021, when they propose would be a more  
7 appropriate time to update the cost-of-service study.

8           They haven't provided, in my submission,  
9 a reasonable explanation for waiting to 2021 to update  
10 the cost-of-service study. They say, Well, we'll have  
11 data, then, on LEDs. Well, they're not going to have  
12 any better data in 2021 than they have now. What do  
13 you need for a cost-of-service study? What data do you  
14 need?

15           You need the cost of the item. Well,  
16 they know the cost. They're buying them right now.  
17 They need the life expectancy of these lights. Well,  
18 they're not going to know them in 2021. They're  
19 supposed to last decades. They're not going to know  
20 them when they're six (6) years old. And they need to  
21 know the maintenance cost. Well, they're not going to  
22 know them in '21 any -- 2021 any better than they know  
23 them know, because they're supposed to last decades.

24           What information are they going to have  
25 in 2021 that they don't have now? At most, they'll

1 have a little bit of data, and they can use that to  
2 fine-tune the study in 2021. But they don't need to  
3 wait until the conversion program is complete in order  
4 to conduct a cost-of-service study for the ARL class.  
5 They can conduct it now.

6                   And I think we're entitled to that. I  
7 think that's a reasonable request. And I think the  
8 City of Winnipeg is entitled to that in order to update  
9 a twenty-five (25) year old study heading into this  
10 conversion. That study can be updated as time goes on  
11 to tweak the data, but surely, we're entitled to more  
12 up-to-date -- a -- a more up-to-date analysis in order  
13 to start the process of billing the City, and all  
14 municipalities, for LEDs.

15

16                   (BRIEF PAUSE)

17

18                   MS. DENISE PAMBRUN: In conclusion, Mr.  
19 Chairman, at the end of my cross-examination, you asked  
20 me a question, and I wasn't really prepared with an  
21 answer. I think it's a fair question. You asked me:  
22 Why is the City raising this now? These questions are  
23 -- I think they're pretty fundamental questions, and  
24 why now?

25                   And I wasn't prepared with an answer. I

1 -- I leaned over to Mr. Todd and I said, He is the  
2 reason. But the ques -- the answer is actually a  
3 little more fundamental than that. I came on this file  
4 in 2009. I -- I took over from a colleague who  
5 retired, Mr. Buhr. Many people in this room remember  
6 Mr. Buhr with great fondness, and I can't hope to fill  
7 his shoes.

8                   When I took over the file, though, I --  
9 I looked at some of the historic material on the file,  
10 and frankly, I didn't understand a damn thing. I still  
11 don't understand a damn thing about this process, but  
12 I'm learning very, very slowly.

13                   I had -- there were -- as I looked  
14 through the file, I saw that a series of questions had  
15 been posed to Manitoba Hydro in the past, and when I  
16 talked to the client and I reviewed it myself, it  
17 didn't appear to me that the questions had been  
18 answered. But because I understood so little about it,  
19 I didn't have any confidence in my conclusion.

20                   I went through the 2010 GRA. I went  
21 through the 2012 GRA. And it seemed to me I was asking  
22 the same questions, and I was getting answers, but it  
23 still seemed to me that I wasn't getting answers that I  
24 understood -- they didn't seem to be responsive, I  
25 guess.

1                   And finally, in some frustration, I  
2 convinced the Public Works Department of the City of  
3 Winnipeg, which is responsible for the general -- the  
4 area and roadway lighting for the City of Winnipeg, to  
5 retain an expert, Mr. Todd. And Mr. Todd came in and  
6 confirmed what I had suspected but never had the  
7 confidence to really conclude, that the City was not  
8 getting answers. The City was not getting satisfactory  
9 answers, and the City was not understanding the answers  
10 it got as being unresponsive -- ultimately  
11 unresponsive.

12                   So when I had seventeen (17) invoices in  
13 front of me and I asked for a map that demonstrated the  
14 boundaries relating to each of these invoices, and  
15 Hydro sent me back a map that had five (5) districts in  
16 it, I didn't have the confidence to recognize that that  
17 was not a responsive answer, and Mr. Todd gave me the  
18 confidence to recognize that that was not a responsive  
19 answer.

20                   So finally, armed with a little more  
21 knowledge, and a -- a competent expert at my side, I  
22 was able to finally come in here and ask some  
23 questions. And perhaps a little more aggressively than  
24 people here are used to, but I'm -- I'm learning,  
25 recognized that the City of Winnipeg had not had to it,

1 satisfactory answers to its questions, and is no longer  
2 prepared to simply ask the questions and walk away  
3 thinking, Okay, maybe -- maybe I'm missing something.

4           We're not missing something. We have  
5 not had satisfactory answers. We're not confident in  
6 the data that Manitoba Hydro has provided, despite  
7 their confidence level. We don't share it. And we  
8 don't think you should share it either.

9           So what we are asking for today, and I  
10 can leave copies of the City's three (3) requests, I  
11 have a number of copies, is the following: that the  
12 Public Utilities Board direct Manitoba Hydro to provide  
13 the City of Winnipeg forthwith with the location, type  
14 of luminaire, and type of pole for each luminaire in  
15 Winnipeg for which the City of Winnipeg is currently  
16 billed; that the Public Utilities Board direct Manitoba  
17 Hydro to provide the City of Winnipeg forthwith with a  
18 map outlining the boundaries relating to each of the  
19 seventeen (17) invoices with which the City is  
20 provided; and number 3, that the Public Utilities Board  
21 direct Manitoba Hydro to update the 1990 cost-of-  
22 service study for the area and roadway lighting class  
23 and file it as evidence in the cost-of-service study --  
24 the cost-of service-hearing to take place later in  
25 2015.

1 I thank you for your attention, despite  
2 the fact that this is a very limited area. I thank all  
3 the Intervenors and all the parties for their patience  
4 in hearing the City out in this very small area, but of  
5 great importance to my client. Thank you very much.

6

7

(BRIEF PAUSE)

8

9 THE CHAIRPERSON: Thank you very much,  
10 Ms. Pambrun. We have no further questions to ask. And  
11 your -- the remedies you are seeking, to me, are very  
12 clear. So we will -- we'll deliberate on them and come  
13 back with a result, hopefully. Thank you.

14 MS. DENISE PAMBRUN: Thank you.

15 THE CHAIRPERSON: Mr. Williams, I'm  
16 looking at the clock. Do you -- would like -- would  
17 you like to start and -- and then we can break, or  
18 would you prefer to -- I'm assuming, of course, that  
19 lunch is available.

20 MR. BYRON WILLIAMS: Mr. -- Mr. Chair,  
21 what -- what I would suggest is I -- I have a few  
22 housekeeping matters that perhaps I could cover. I --  
23 I just want to go on the record, I've actually  
24 witnessed a historic event. I've never seen My Learned  
25 Friend Ms. Pambrun express a lack of confidence. And

1 so that was quite illuminating for me and that may be  
2 the mos -- most momentous moment of today.

3 I do want to introduce exhibits. One  
4 (1) we filed yesterday before the great computer  
5 meltdown of -- of -- oops, Mr. Peters?

6 MR. BOB PETERS: Mr. Chairman, it is  
7 unusual for me to jump in, but I had an epiphany as  
8 well. I'm wondering in light of the hour, whether Mr.  
9 Orle, Mr. Masi, and Mr. Williams want to reconsider  
10 their -- their batting order. The reason I'm  
11 suggesting that is that in the event that Mr. Williams  
12 bats last and he needs to take some time tomorrow  
13 morning, there may be some continuity in his approach.

14 Just thought that came to me because of  
15 the -- the timing, but I'm not sure if that suits Mr.  
16 Masi or Mr. Orle either, but I -- I wondered if that  
17 might be a better use of the time and more continuity  
18 for the Board?

19 THE CHAIRPERSON: Mr. Orle, are you --  
20 could you comment, please?

21 MR. GEORGE ORLE: Mr. Chairman,  
22 unfortunately I was using the lunch hour to have the  
23 copies made of my presentation and delivered here, so I  
24 -- I don't have any of my paperwork to start right now.  
25 I'm sorry. I wasn't expecting that.

1 THE CHAIRPERSON: Thank you, Mr. Orle.  
2 Mr. Masi?

3 MR. TOMAS MASI: Mr. Chair, I am  
4 prepared to proceed with a closing submission at -- at  
5 any point in time today, so I'm at your disposal.

6 THE CHAIRPERSON: How much time do you  
7 think you need?

8 MR. TOMAS MASI: I -- I hope it'll come  
9 in under an hour.

10 THE CHAIRPERSON: Okay. That would  
11 suggest to me that we are going to break before we --  
12 we start. And -- and the order would normally be Mr.  
13 Orle, followed by Mr. Masi, and then on to Mr.  
14 Williams, if you're agreeable, Mr. Williams?

15 MR. BYRON WILLIAMS: That may work  
16 well. My client does have to leave now, but is  
17 hopefully able to come back later in the day. So from  
18 at least the Consumers' Association perspective, it  
19 might be more convenient.

20 THE CHAIRPERSON: And -- and you did  
21 say you had some matters to attend to. Do you want to  
22 do them now before -- before lunch? We have -- we have  
23 a few minutes before lunch.

24 MR. BYRON WILLIAMS: Sure. One (1) was  
25 we had sent out yesterday, it's just some supporting

1 materials, from the record for our submission. And  
2 it's called 'Excerpts for Closing Submissions'. And we  
3 would ask that that be marked as Coalition-25.

4

5 --- EXHIBIT NO. COALITION-25: Excerpts for closing  
6 submissions

7

8 MR. BYRON WILLIAMS: Secondly, we have  
9 a -- a short written commentary on sustaining capital.  
10 We'll do a much more detailed oral argument, but we --  
11 we won't make much reference to this, but we do have  
12 some recommendations at the back of this document for  
13 future filing requirements, all in one (1) place, which  
14 might be of interest to the Board going forward with  
15 regard to this very important issue. So we'd ask that  
16 the written submissions or supporting written arguments  
17 on sustaining capital be marked as Coalition Exhibit  
18 26.

19

20 --- EXHIBIT NO. COALITION-26: Supporting written  
21 arguments on sustaining capital

22

23 MR. BYRON WILLIAMS: And we have a -- I  
24 guess there's been talk in this hearing of hybrid ELG.  
25 Well, this is a hybrid PowerPoint you're going to hear

1 today, part on paper and part verbally. The excerpts  
2 from the PowerPoint that -- that were sent off to Ms.  
3 Menzies's laptop before the computer crashed are here  
4 in blue: post-NFAT, headwinds, windmills, and Manitoba  
5 consumers. I'll note that although we're pretty proud  
6 of this PowerPoint there were a few pages that weren't  
7 completed before everything blew up. And again, the  
8 last thirty (30) slides or so are -- are not -- not  
9 here. So that could be marked as Coalition Exhibit 27.

10

11 --- EXHIBIT NO. COALITION-27: PowerPoint presentation

12

13 MR. BYRON WILLIAMS: And just -- just  
14 to not fill the time, but respond to some of the  
15 Board's questions earlier, in terms of the issue of  
16 2016/'17 and the rate our client -- I only have one (1)  
17 client here today and -- and I -- I'm pretty confident  
18 I know what she thinks, but I do have to confer with  
19 Mr. Benham. So we would be reserving the right to file  
20 written commentary for Friday in terms of what should  
21 be done with 2016/'17.

22 I do want to con -- confirm we did hear  
23 a fair bit of commentary from My Learned Friend Mr.  
24 Gange about conservation rates. I've assured our  
25 clients that that's an issue for another proceeding,

1 not this proceeding. We certainly are open for  
2 questions on that, but I will not be making submissions  
3 on conservation rates on the understanding that the --  
4 the Board in earlier directives did indicate a -- a  
5 desire to deal with that at a -- at a later date. So  
6 certainly our client is happy to answer any questions  
7 the Board may have, but I don't -- our lack of  
8 commentary on -- on our -- on the Green Action Centre  
9 conversation is not a lack of interest from our  
10 client's perspective.

11                   And just Board member Grant had one (1)  
12 question for -- for Mr. Gange in terms of policy  
13 guidance in terms of rates in Manitoba. And -- and, of  
14 course, Mr. Gange quite properly pointed to the Public  
15 Utilities Board Act, the Crown Corporation Public  
16 Review and Accountability Act, and the Hydro Act. Two  
17 (2) others, that if -- I'm sure your legal -- your  
18 counsel will advise you of, but there is the  
19 Affordability Utility Rate Accountability Act.

20                   And not that there's a lot of guidance  
21 there, but the preamble I think speaks of low costs for  
22 all Manitobans in terms of rates. So I think there is  
23 a bit of something interesting in the preamble. And  
24 I'm quite confident that My Friend Mr. Orle will talk  
25 about the Energy Savings Act and there is a -- he'll

1 deal with it in greater detail than I will.

2                   But certainly within that piece of  
3 legislation I suspect he will argue that there's a --  
4 enshrined a principle of comparability of services that  
5 -- that Manitobans from different regions should have  
6 access to comparable services. He'll speak to that  
7 more than me. But those would be two (2) other pieces  
8 of legislation that if I were looking for policy  
9 guidance I would go -- go to. Of course, I'd confer  
10 with Mr. Hombach and Mr. Peters. You'll get better  
11 advice than from me. But that's what I might do.

12                   THE CHAIRPERSON: Thank you, Mr.  
13 Williams. Mr. Czarnecki, please.

14                   MR. BRENT CZARNECKI: Thank you, Mr.  
15 Chairman. I do have the last of the remaining  
16 undertakings ready to be filed so if I could speak to  
17 them now people would have them over the lunch time.

18                   THE CHAIRPERSON: Thank you for that.

19                   MR. BRENT CZARNECKI: The first was  
20 undertake -- Manitoba Hydro Undertaking number 54. And  
21 it was get -- provided at transcript page 2,832. And  
22 it has to do with the Curtailable Rate Program. We  
23 filed this electronically yesterday, but I do have the  
24 hard copies now and it would be Manitoba Hydro Exhibit  
25 number 127.

1 --- EXHIBIT NO. MH-127: Response to Undertaking 54

2

3 MR. BRENT CZARNECKI: Yesterday as well  
4 electronically we filed Manitoba Hydro Undertaking  
5 number 78 and this is the one (1) that Mr. Williams and  
6 Mr. Rainkie were discussing with respect to the  
7 facility condition index which we now have a summary  
8 report. And that was provided at transcript page 3,676  
9 to 3,679. That would be Manitoba Hydro Exhibit number  
10 128.

11

12 --- EXHIBIT NO. MH-128: Response to Undertaking 78

13

14 MR. BRENT CZARNECKI: I can also  
15 confirm for the record that number Manitoba Hydro  
16 Exhibit 68 was properly marked as Exhibit 109, which  
17 left Undertaking 66 as the orphan.

18 We now have a copy of it, and we will  
19 mark it as Manitoba Hydro Exhibit number 129.

20

21 --- EXHIBIT NO. MH-129: Response to Undertaking 66

22

23 MR. BRENT CZARNECKI: And lastly, there  
24 was a question about Undertaking 61, which I can  
25 confirm that was -- it was responded to verbally at

1 transcript pages 3,055 to 3,056. And from Hydro's  
2 perspective, that concludes all of the undertakings, so  
3 the record should now be complete in that regard.

4 MR. BYRON WILLIAMS: And just one (1)  
5 other matter, Mr. Chair, if I might. I'd referenced  
6 Undertaking 26 earlier today. It was, I think filed  
7 under -- under guise of Undertaking 27 inadvertently.  
8 So it has been responded to.

9 I -- I reviewed it when it came it, but  
10 it -- it wasn't what I -- it wasn't Undertaking 26, so  
11 -- but it's -- it's been filed. It's been complied  
12 with.

13 THE CHAIRPERSON: So there are no  
14 further undertakings from -- required of CAC or  
15 committed to CAC?

16 MR. BYRON WILLIAMS: I can confirm  
17 that.

18 THE CHAIRPERSON: Okay.

19 Mr. Masi, noth -- nothing needed from --

20 MR. TOMAS MASI: Sorry, Mr. Chair. No.

21 THE CHAIRPERSON: Thank you, Mr. Masi.

22 Mr. Orle, please.

23 MR. GEORGE ORLE: No, Mr. Chairman.

24 Thank you.

25 THE CHAIRPERSON: Thank you, Mr. Orle.

1                   And, Mr. Czarnecki, so all of the MIPUG  
2 issues have been addressed then? Yes, they have.

3                   MR. BRENT CZARNECKI:    We're -- I'm  
4 hoping to speak to Mr. Hacault over the lunch hour, Mr.  
5 Chairman, and -- and advise back after the lunch hour.

6                   The -- the one (1) other undertaking,  
7 and Mr. Peters alluded to it in his opening comments,  
8 was Undertaking number 6. And that was for Hydro to  
9 check with the minister about the release of the  
10 financial statements of Manitoba Hydro.

11                   And I can advise that, as did Mr.  
12 Rainkie previously, that today Mr. Rainkie is with his  
13 audit committee reviewing the financial statements.  
14 Presumably they will be reviewed by executive committee  
15 next week or the following week, at which point they'll  
16 be provided to the minister.

17                   So unfortunately, by the close of this  
18 hearing, we will not have -- we will not be in a  
19 position to be providing those financial statements  
20 before that process unfolds. And as I understand it,  
21 Mr. Thomson will consult with the minister if he's in a  
22 position to release those documents prior to that.

23                   THE CHAIRPERSON:    Thank you for that  
24 information.

25                   With that, we'll recess for lunch.

1 We'll take forty-five (45) minutes as usual, and we'll  
2 each other again at a quarter to 1:00. Thank you.

3

4 --- Upon recessing at 12:00 p.m.

5 --- Upon resuming at 12:52 p.m.

6

7 THE CHAIRPERSON: Good afternoon. I  
8 believe that the -- we can continue -- continue with  
9 the proceedings. So unless there are administrative  
10 matters to attend to, and I don't believe there are,  
11 I'll turn the microphone over to you, Mr. Masi. Good  
12 afternoon.

13

14 CLOSING SUBMISSIONS BY MMF:

15 MR. TOMAS MASI: Good afternoon, Mr.  
16 Chairman, and Board members Kapitany, Bel, and Grant,  
17 and all parties and members of the public in attendance  
18 today. I will be delivering the closing submission on  
19 behalf of my client, the Manitoba Metis Federation.

20 Just before I start, I'd like to point  
21 out that Ms. Marc -- Marci Riel is here in the gallery,  
22 and she's in attendance here today on behalf of the  
23 MMF. Ms. Riel is employed by the MMF as the Hydro  
24 liaison, and in that position she acts as the primary  
25 contact for the MMF to discuss all matters involving

1 the MMF and Manitoba Hydro.

2 Ms. Riel has been very involved behind  
3 the scenes with respect to this hearing, and she wanted  
4 me to extend the MMF's gratitude to the Board for  
5 permitting the MMF to be present and taking an active  
6 part in this general rate application. The MMF would  
7 also again like to express its gratitude to Hydro for  
8 its acceptance of the MMF's intervention in this GRA.

9 Before getting into the substantive part  
10 of the MMF's closing remarks, I think it's important to  
11 provide the Board with a brief explanation as to who  
12 the MMF is, and who they represent, especially in terms  
13 of its role in this general rate application. Diana,  
14 if you could just turn to page 2 of the presentation?  
15 Thank you.

16 As noted in the Constitution Act of  
17 1982, the Metis of Canada are one (1) of the three (3)  
18 distinct groups of Aboriginal peoples of Canada in  
19 addition to the First Nations and Inuit peoples. The  
20 Manitoba Metis community refers to the collective of  
21 those individual citizens that comprise the Metis  
22 nation within Manitoba.

23 There's often an inclination to group  
24 both the Manitoba Metis community and First Nations  
25 people of Manitoba as being one (1) and the same.

1 However, it is important to note the distinction  
2 between the two (2) groups, as they both have their own  
3 unique culture and identity. In terms of the  
4 Manitoba Metis Federation it is the democratic and  
5 representative body of the Manitoba Metis community and  
6 represents said community at the local, regional, and  
7 provincial levels. The MMF is organized into several  
8 regions all throughout Manitoba with over one hundred  
9 (100) locals located in both urban and rural  
10 communities.

11 The Manitoba Metis community form a  
12 significant portion of Manitoba's total population. As  
13 noted in MMF Exhibit number 3, it is estimated that the  
14 Manitoba Metis community is comprised of a hundred a  
15 forty thousand (140,000) individuals, which amounts to  
16 over 10 percent of Manitoba's total population.

17 Of notable importance, in particular for  
18 this hearing, is that approximately seventy-eight  
19 thousand (78,000) Manitoba Metis, or about 56 percent,  
20 reside in rural areas outside of Winnipeg, Brandon,  
21 Selkirk, and Portage la Prairie. Accordingly, the MMF  
22 represents a large number of residential and small  
23 business customers of Manitoba Hydro across the  
24 province who will undoubtedly be impacted by Hydro's  
25 proposed rate increases.

1                   The MMF promotes, protects -- protects,  
2 and advances the diverse interest of its citizens and  
3 its community located throughout the province. Of  
4 particular focus to the MMF, particularly in the  
5 context of this proceeding, is the interest of its low-  
6 income citizens in rural areas who rely primarily on  
7 electric, space, and water heat and do not have access  
8 to natural gas heating.

9                   Many of these customers have and  
10 continue to experience severe financial distress. As  
11 noted by the Board in Procedural Order 18/'15, the MMF  
12 as a representative of the Manitoba Metis community can  
13 offer a unique perspective with respect to rate impacts  
14 on rural ratepayers, many of whom use electricity for  
15 space heat, also, for low-income customers and small to  
16 medium business.

17                   In that regard the Board authorized and  
18 directed the MMF to review and consider the proposed  
19 rate impacts on those customer groups. In light of the  
20 Board's direction, in terms of the MMF's closing  
21 remarks in this proceeding, the MMF will be focussing  
22 on the impact the proposed rate increases will have on  
23 it's cit -- citizens contained within the previous  
24 mentioned customer groups.

25                   As I noted in my opening statement, I

1 feel that it is important to note that while the MMF  
2 will not be specifically speaking to the interests of  
3 other customers within these groups, the MMF does  
4 acknowledge that many of said customers may be  
5 experiencing many of the same issues experienced by the  
6 citizens of the Manitoba Metis community and will  
7 likely be similarly impacted by the proposed rate  
8 increases.

9 I'd just like to talk a bit about  
10 affordability, just to start off with. And, Diana, if  
11 you could turn to page 3 of the slide. Thanks. In  
12 terms of its application, Manitoba Hydro is seeking a  
13 very significant rate increase of 3.95 percent, which  
14 is expected to generate additional revenue in the  
15 amount of \$96 million for the 2015/'16 year loan.

16 Although on the surface Hydro may want  
17 the Board to believe that the rate increase is a modest  
18 one, especially when you consider the incremental  
19 monthly change of three dollars and twenty cents  
20 (\$3.20) to a standard electric residential customer's  
21 bill. There are a few observations that must be made  
22 with respect to the impact the proposed rate -- the  
23 proposed increases in rate will have for customers, and  
24 -- and in particular, all-electric customers.

25 And just to be clear, as I will be

1 repeating the phrase 'all-electric customers' quite  
2 often in my presentation, what I mean by 'all-electric  
3 customers' is those customers who utilize electricity  
4 as a fuel source and do not have access to natural gas.

5           So in terms of observations that must be  
6 made with respect -- with respect to the proposed rate  
7 increase. Firstly, rate increases have a much larger  
8 impact on customers than simply an increase in their  
9 Hydro bill. electricity -- electricity is  
10 intrinsically entrenched in everything that we do, both  
11 on a personal level, but also at a commercial and  
12 industrial level.

13           As a result, an increase in the rates  
14 electricity will not only result in higher electricity  
15 bills, but will also result in an increase in the cost  
16 of most other goods and services, which are  
17 inextricably linked to an increase in Hydro rates.  
18 This increase in cost in most goods and services will  
19 ultimately be borne by all customers of Hydro.

20           And the second point, although Hydro is  
21 seeking a rate increase of 3.95 percent for the fiscal  
22 2015/'16 year, the Board cannot lose sight of the fact  
23 that Hydro's current long-term intentions are to  
24 request twenty (20) consecutive years of rate  
25 increases, of which 3.95 percent consecutive rate

1 increases are expected over the next twenty (20) years,  
2 and 2 percent rate increases are -- consecutive rate  
3 increases are expected for the remaining three (3).

4           If approved by the Board, this would  
5 amount to an approximate -- a hundred and five (105)  
6 cumulative rate incre -- 105 percent cumulative rate  
7 increase over the next twenty (20) years. Hydro  
8 contends in its application, however, that despite the  
9 rate increases being projected in IFF14, and I quote:

10                   "It is expected that Manitoba  
11                   domestic electricity consumers will  
12                   continue to have rates that are  
13                   affordable and competitive with other  
14                   utilities in North America."

15           And that reference can be found at Tab  
16 6, page 21 of Hydro's application. In that regard,  
17 Hydro has provided a number of examples in its  
18 application and in presentations to the Board  
19 throughout this proceeding, demonstrating that the  
20 average monthly bill for its customers is lower as  
21 compared to various other jurisdictions in Canada, and  
22 will remain lower than some other jurisdictions,  
23 despite the projected rate increases.

24           In our respectful submission, however,  
25 Hydro fails to recognize that the affordability of

1 rates and whether or not those rates are competitive  
2 are two (2) very separate matters.

3           Whether or not our utility rates are  
4 competitive with other jurisdictions does not confirm  
5 in one way or another that our utility rates and bills  
6 are affordable. Such a comparison may demonstrate that  
7 our rates are competitive, but it is not determinative  
8 of the rates being affordable.

9           What can provide us with some sense of  
10 whether or not rates are affordable is if we compare  
11 them to the rate of inflation, or expected rate of  
12 inflation, in Manitoba.

13           And in that regard, I direct your  
14 attention to PUB Round 2 Question 47 wherein Hydro  
15 provides the historical consumer price index for  
16 Manitoba, as well as the historical rate increase  
17 approvals granted by the PUB since fiscal 2000 through  
18 to fiscal 2017, with the latter two (2) obviously being  
19 projected.

20           The Board should note that cumulative  
21 percentage increase in Hydro's rates from fiscal 2000  
22 through to fiscal 2014/'15 is 34.44 percent, with the  
23 cumulative consumer price index percentage increase  
24 being fairly consistent at 36.43 percent.

25           I would also like to point out that the

1 average cumulative percentage increase in Manitoba --  
2 Manitoba's consumer price index from fiscal 2000  
3 through to 2014 is 1.95 percent.

4           On a go-forward basis, however, for the  
5 current fiscal year and also for the 2016/'17 fiscal  
6 year, the projected CPI for Manitoba is expected to be  
7 1.9 percent and 2 percent, respectively, whereas the  
8 proposed rate increases for Hydro are over double the  
9 rate of expected inflation.

10           Presuming Manitoba's rate of inflation  
11 remain on average to be 2 percent per year for the next  
12 twenty (20) years, and Hydro's proposed rate increases  
13 of 3.95 percent are approved by the Board, Manitoba  
14 Hydro's cumulative percentage rate increase, as I  
15 mentioned previously, would be over 105 percent, with  
16 the cumulative inflation rate of Manitoba being only  
17 48.5 percent over that same period of time.

18           This, in our respectful submission,  
19 provides the Board with a much better indication of  
20 whether or not Hydro's rates will be affordable to the  
21 domestic customers than simply comparing Hydro's rates  
22 with other utilities in various jurisdictions  
23 throughout Canada and/or North America.

24           As confirmed by Mr. Roger Colton in this  
25 proceeding, who has extensive knowledge and expertise

1 relating to low-income customers and affordability  
2 issues in the regulatory context, the rate of change in  
3 rates is at least as important to customers with  
4 limited financial means as the absolute level of rates.

5           And what is meant by this is that the  
6 greater the financial burden is on a low-income  
7 customer, the more difficult it will be for him or her  
8 to successfully manage a rate increase.

9           Particularly from a lower-income  
10 customer's perspective, rate increases over double the  
11 rate of inflation over the next twenty (20) years is  
12 anything but affordable.

13           Diana, if you could page 4. Thank you.

14           I'd like to address the rate impact on  
15 all-electric customers now.

16           So notwithstanding the significant  
17 impact the proposed rate increase will have on all  
18 residential customers, it is important to note the  
19 disproportionate impact the rate increases will have on  
20 Hydro's all-electric customers.

21           The monthly bill for a standard electric  
22 residential customer who heats his or her -- his or her  
23 home with -- and water with natural gas is expected to  
24 increase by three dollars and twenty cents (\$3.20).

25           However, the same projected rate

1 increase will result in a six dollar and eleven cent  
2 (\$6.11) increase in the monthly bill of an all-electric  
3 customer, which amounts to an annual increase of over  
4 seventy-three dollars (\$73).

5           Accordingly, the impact the proposed  
6 rate increase will have on ratepayers that heat their  
7 home and water with electric space heat versus those  
8 that use natural gas is almost double, despite the fact  
9 that the rate increase is to be applied equally across  
10 the board to all customers.

11           The reason obviously for this disparity  
12 is due to the fact that all-electric customers who heat  
13 their home and water with electricity utilize  
14 significantly more electricity than customers who  
15 utilize natural gas as a fuel source for heating their  
16 home or water.

17           The much larger impact the all-electric  
18 customers will be faced with due to the proposed rate  
19 increase for the current fiscal year is exacerbated  
20 quite significantly when one considers the intention of  
21 Hydro to seek significant proposed rate increases for  
22 the next twenty (20) years.

23           This is clearly demonstrated -- and,  
24 Diana, if you could turn to page 5. Thank you. This  
25 is clearly demonstrated in the response to PUB Round 2

1 Question 58(b), where the average annual all-electric  
2 bill was compared to the average annual standard  
3 electric bill for years ending 2015 through to 2024.

4           The current disparity between an all-  
5 electric customer's average utility bill and a standard  
6 electric customer's average utility bill in 2015 is  
7 more than three hundred dollars (\$300) annually in  
8 that, on average, an all-electric customer pays  
9 approximately three hundred and seven dollars (\$307)  
10 more than a standard electric customer does to heat his  
11 or her home and consume electricity for non-heating  
12 purposes.

13           What is even more concerning, however,  
14 is that if we look -- if we look forward ten (10) years  
15 to 2024, the disparity between an all-electric  
16 customer's average utility bill and a standard electric  
17 customer's average utility bill grows to an alarming  
18 six hundred and eighty-six dollars (\$686) annually, or  
19 about 35 percent for an all-electric customer. If one  
20 were to expand the tables that you see in front of you  
21 on slide 5 an additional ten (10) years, the  
22 expectation would be that there would be an even  
23 greater demarcation between an all-electric customer  
24 and a standard electric customer's average bill.

25           Hydro did caution the Board and the

1 parties regarding the assumptions included in the  
2 tables that you see before you, which included the fact  
3 that the electric bill amount shown on the tables are  
4 based on proposed rate increases of 3.95 percent being  
5 granted by the Board for each year, and also that --  
6 that gas bill amounts are based on February 1st, 2015  
7 rates, and are not escalated throughout that ten (10)  
8 year period.

9                   Notwithstanding this caution, Hydro did  
10 confirm that as of May 1st, 2015, Hydro's natural gas  
11 rate -- gas rates have decreased on at least an interim  
12 basis from February 1st, 2015 by 1.7 percent, which  
13 works out to about a fourteen dollar (\$14) reduction on  
14 an annual bill for a typical gas customer. This  
15 decrease in natural gas rates has the effect of further  
16 increasing the gap between the average annual bill of  
17 an all-electric customer as compared to the average  
18 annual bill of a standard electric customer. In terms  
19 of a reference to the decrease in gas rates, you can  
20 see transc -- transcript pages 3,180 through to 3,182.

21                   Not only did Hydro confirm that gas  
22 rates have decreased since February 1st of 2015, but  
23 Mr. Page also confirmed that there is an expectation  
24 amongst forecasters that as a result of what the gas  
25 industry terms as fraclog, gas prices will remain low

1 and take some time before recovering. Accordingly,  
2 although the table found in front of you on slide 5 is  
3 premised on the fact that gas rates are based on  
4 February 1st, 2015, rates and are not escalated, there  
5 is at least an expectation by forecasters that gas  
6 prices will likely not increase significantly for some  
7 time, further substantiating the gap in the annual  
8 bills demonstrated on those tables.

9                   This disparity between an all-electric  
10 customer's bill and a standard electric customer is a  
11 concern to the MMF because the stark reality facing  
12 many Manitoba Metis citizens and other individuals  
13 residing in your -- in rural communities is that  
14 natural gas is simply not an option, as it is not  
15 available. Accordingly, the proposed rate increase  
16 will undoubtedly have a much greater impact on the  
17 Manitoba Metis citizens and other individuals res --  
18 residing in rural communities that do not have access  
19 to natural gas.

20                   The MMF believes the Board may share its  
21 concern for the all-electric customer, as the Board has  
22 also noted the disparity in the bill amounts  
23 experienced between the two (2) customers at page 29 of  
24 the NFAT report.

25                   Thank you, Diana. And the Board stated

1 there:

2 "While some ratepayers have the  
3 option to switching to gas heat if  
4 electricity gets too expensive, this  
5 option is not available to many other  
6 Manitobans to whom gas is not  
7 available. These customers will be  
8 especially affected by rising rates  
9 as they are dependent on electricity  
10 to meet their home heating needs."

11 Diana, if you can go to page 7? Thank  
12 you. Notwithstanding the rate impact that will be  
13 experienced by the all-electric residential customer  
14 group as a whole, of particular concern to the MMF is  
15 what the rate impact will be on its citizens that are  
16 found within the low-income all-electric customer  
17 segment of Hydro. The number of low-income customers  
18 residing in regions where natural gas is not available  
19 and who heat with electricity is fairly significant, at  
20 twenty-six thousand five hundred and eighty-nine  
21 (26,589) customers.

22 The estimated number of rural all-  
23 electric customers in total is seventy-one thousand  
24 seven hundred and thirty-seven (71,737) and the  
25 references can be found on slide 7 of the presentation.

1 What is particularly concerning is that the LICO-125  
2 all-electric rural customers comprise approximately 37  
3 percent of all rural all-electric customers. By way of  
4 comparison, the total number of residential LICO-125  
5 customers comprise only 24 percent of the total  
6 residential customer base of Hydro.

7           And not only are there -- there are a  
8 significant -- significantly high number of all-  
9 electric LICO-125 customers residing in rural areas and  
10 a higher concentration of said customers when compared  
11 to all LICO-125 customers, the LICO-125 all-electric  
12 customers are -- are also suffering from greater  
13 arrears issues as compared to the residential customer  
14 sector as a whole.

15           As set out -- as set out in Hydro's  
16 response to MMF Round 1 Question 45(m) and confirmed by  
17 Hydro at transcript pages 3 -- 3,195 through to 3 --  
18 3,196, the average percentage of accounts in arrears in  
19 the residential sector for all of 2014 is 12.2 percent,  
20 whereas the average percentage of arrears in the  
21 residential northern Manitoba customer segment and  
22 rural customer segment is 29.4 percent and 17.9 percent  
23 respectively.

24           When analyzing the percentage of arrears  
25 accounts that are greater than ninety (90) days in

1 arrears, a similar trend is observed. As set out in  
2 Hydro's response to MMF Round 1 Question 45(a) revised,  
3 the average percentage of arrears accounts that are  
4 greater than ninety (90) days in arrears from February  
5 2012 through to December of 2014 for the entire  
6 residential segment of customers is 21.8 percent,  
7 whereas the average percentage of arrears accounts that  
8 are greater than ninety (90) days in arrears for the  
9 residential northern Manitoba and residential rural  
10 customer segments are 45.1 percent and 34.2 percent  
11 respectively.

12                   The significance of the fact that these  
13 accounts are greater than ninety (90) days in arrears  
14 suggests that a large percentage of these customers are  
15 experiencing severe financial distress. Diana, if you  
16 could turn to page 8?

17                   To summarize, the important -- the  
18 important rate impact factors faced not only by all-  
19 electric customers of the Manitoba Metis community but  
20 all customers of Hydro residing in non-gas available  
21 areas and her -- and who are utilizing electricity as a  
22 fuel source include the following three (3) points.

23                   Number 1, there is a significant  
24 demarcation between all-electric customers' utility  
25 bills as compared to standard electric customers' bill.

1 That demarcation is likely to grow in at least the near  
2 future as Hydro projects electricity rates to increase  
3 over the next twenty (20) years, and natural gas prices  
4 and rates have not only decreased in the last several  
5 months, but are forecasted -- forecasted to endure a  
6 long recovery -- recovery period.

7           And number 3, currently all-electric  
8 customers, and in particular those of low income, are  
9 already experiencing much greater financial strain with  
10 respect to paying their Hydro bills as compared to the  
11 residential customer segment as a whole, and as  
12 observed by the much higher percentage of arrear -- of  
13 accounts in arrears and significantly greater  
14 percentage of accounts in arrears that are greater than  
15 ninety (90) days in arrears when compared to the  
16 residential customer segment.

17           In order to fully understand the impact  
18 the proposed rate increases will have on all -- on the  
19 all-electric customer, it is important to analyze and  
20 consider what mitigation opportunities that may be  
21 available to said customers, and to the extent,  
22 including through the use of DSM programs and bill  
23 assistance measures -- and -- and -- sorry, and to what  
24 extent, including through the use of DSM programs and  
25 bill assistance measures? Diana, if you could turn to

1 page 9?

2 In terms of rate impact, the Board has  
3 in the past noted the importance of using DSM as a tool  
4 to mitigate the impact of higher rates for ratepayers.  
5 In Board Order 43/'13 at page 44, the Board stated:

6 "Given an outlook where rates are  
7 forecast to more than double over the  
8 next twenty (20) years, which is  
9 twice the expected rate of inflation,  
10 the Board is of the view that  
11 Manitoba Hydro should be providing  
12 ratepayers with tools to mitigate  
13 their exposure to rising electricity  
14 bills through demand-side  
15 management."

16 In highlighting the importance of DSM in  
17 particular with respect to mitigating the impact of  
18 increased rates, the Board has noted that in some  
19 cases, DSM may even have the potential of leading to  
20 lower utility bills, despite an increase in rates. And  
21 for that reference, you can see that reference at page  
22 21 of the NFAT final report.

23 Hydro, too, has noted the importance of  
24 DSM in terms of reducing a customer's utility bill when  
25 it stated in response to MMF Round 1 Question 41 at

1 page 2 that:

2 "Manitoba Hydro's overall strategy to  
3 mitigate bill impacts for its  
4 customers involves demand-side  
5 management, bill management, and  
6 emergency financial assistance."

7 The MMF strongly agrees with both the  
8 Board and Hydro that DSM can be a very effective tool  
9 for customers to lessen -- for -- for customers to  
10 lessen and, in some cases, completely mitigate the  
11 impact a rate increase will have on said customer.  
12 That being said, however, it must be noted that some  
13 DSM programs and benefits may have differing impacts on  
14 customers, especially when considering that certain  
15 customers participate in DSM and others do not, either  
16 by choice or due to the fact that some program  
17 offerings are simply not available to them. And the  
18 Board has taken note of this potential issue recently  
19 at page 83 of the NFAT final report. Diana, if you  
20 could turn to page 10? Thank you.

21 The Board has not only recognized the  
22 importance of DSM for all ratepayers of Hydro, but has  
23 expressly recommended to Hydro that it increase its  
24 focus and efforts with respect to DSM at -- directed at  
25 low income customers of Hydro. And at page 7 of Board

1 Order 42/'13, the Board recommended that Hydro, and I  
2 quote:

3                   "...continue and increase its efforts  
4                   with respect to Lower Income Energy  
5                   Efficiency Program as -- [sorry] --  
6                   with respect to the Lower Income  
7                   Energy Efficiency Program, as low  
8                   income individuals will find it more  
9                   difficult to meet ever increasing  
10                  energy rates contemplated in Manitoba  
11                  Hydro's rate increase forecast."

12                  The Board continued that sentiment at  
13 page 94 of the NFAT final report, as well as page 252  
14 of the final NFAT report.

15                  Not only has the Board recognized the  
16 need to assist certain customers of Hydro through DSM  
17 programs, the province last year also concurred with  
18 the approach and recommendations of the Board as noted  
19 in the letter of -- to Hydro from the Minister  
20 responsible for Manitoba Hydro, or the then Minister,  
21 Mr. Stan Struthers, in a letter dated July 2nd, 2014,  
22 where Mr. Struthers stated, and I quote:

23                         "We are requesting that the Manitoba  
24                         Hydroelectric Board oversee a special  
25                         priority initiative to development

1                   and implement, without delay,  
2                   enhancements to the DSM programming  
3                   and areas identified as priorities in  
4                   the NFAT review, including special  
5                   outreach to low-income families,  
6                   Aboriginal and Northern communities,  
7                   and customers presently excluded from  
8                   eligibility due to overdrawn  
9                   accounts."

10                   And that letter can be found at Manitoba  
11 Hydro Exhibit number 45.

12                   In light of the previous recommendations  
13 by the Board and by the province, it is imperative to  
14 assess whether there are programs available for all-  
15 electric customers, and particularly those that are  
16 low-income, that will have the effect of alleviating or  
17 moderating the potential rate impact experienced by  
18 said customers, especially considering the fact that  
19 all residential customers of Hydro contribute to the  
20 cost of DSM programs that are offered by Hydro.

21                   Diana, if you could turn to page 11.  
22 Thank you. In terms of having any real and substantial  
23 impact on savings with respect to a customer's bill, it  
24 is imper -- it is without question that the focus with  
25 respect to any DSM -- DSM program has to be directed to

1 a customer's particularly -- particular space heating  
2 system. This was confirmed by Mr. Kuczek on cross-  
3 examination at transcript page 501 to 502 when he  
4 stated:

5 "The significant savings are related  
6 to space heating as opposed to water  
7 heating. We're educating customers  
8 on those, but the primary thrust is  
9 on space heating."

10 And Mr. Kuczek was speaking about the  
11 heating fuel choice initiative at that point in the  
12 transcript. If we look at PUB Round 2 Question 58(d),  
13 at page 37, and that's actually found -- it's -- it's  
14 part -- it's C9, slide 11 there under the title 'annual  
15 space heating costs'.

16 We can see this very clearly  
17 demonstrated in a few different ways looking at Hydro's  
18 home heating cost comparisons. First, if we look at  
19 the annual space heating cost -- if we look at what the  
20 annual space heating costs are for an electric furnace  
21 at twelve hundred and twenty-six (\$1,226) per year, as  
22 compared to the average utility bill of an all-electric  
23 customer, which is found in the table right beside --  
24 right to the left of that table, of one thousand nine  
25 hundred and twenty-six (\$1,926).

1                   We see that about 64 percent of an all-  
2 electric residence customer's bill is related to his or  
3 her spa -- space heating requirements. Also, if we  
4 look at the annual heating cost associated with  
5 operating a natural gas furnace, a customer is able to  
6 reduce his or her annual space heating costs by 30  
7 percent simply by replacing his or her conventional  
8 furnace with a high efficiency furnace. And that can  
9 be seen, again, on the chart titled 'Annual Space  
10 Heating Cost'. The difference between nine thirty-six  
11 (936) and six sixty-nine (669).

12                   Hydro, in fact, advertises that the  
13 annual heating cost savings that can be achieved by a  
14 customer who replaces his or her conventional furnace  
15 with a high efficiency furnace can be as much as 35  
16 percent. In terms of savings that can be achieved  
17 related to programs directed to space heating systems,  
18 it should also be noted that programs directed towards  
19 assisting a customer's space heating system, such as  
20 air sealing measures, or insulation, can also provide a  
21 significant cost savings to a customer, as they are  
22 aimed at making a customer's space heating system more  
23 efficient and effective.

24                   Diana, if you could turn to page 12.  
25 I'd now like to discuss what has been by Hydro in terms

1 of DSM program offerings for the all-electric customer.  
2 If you'll look at the affordable energy program, the  
3 only programs currently being offered relating  
4 specifically to a customer's space heating system is  
5 the furnace replacement program offered to natural gas  
6 customers, which as mentioned previously, provides a  
7 tremendous amount of savings for natural gas customers  
8 in terms of their energy bill and at a very little cost  
9 to the customer.

10                   There's no similar program that is  
11 currently being offered to all-electric customers. The  
12 affordable energy program also offers to all of its  
13 customers a home insulation program, which encourages  
14 customers to upgrade their insulation levels and air  
15 sealing in the homes free of charge to customers who  
16 qualify.

17                   This program can provide a fairly  
18 significant amount of savings to all customers who  
19 participate. Unfortunately, according to Hydro's own  
20 energy use survey from 2009, only 9.9 percent of LICO-  
21 125 customers rated their insulation as being poor.  
22 Meaning that over 90 percent of the LICO-125 group  
23 believe that their insulation to be either fair or  
24 greater than fair.

25                   There are two (2) important issues to

1 note with respect to these figures. First, if Hydro is  
2 correct in relying on the results of the energy use  
3 survey, despite the fact that it asked customers to  
4 opine on a complex issue such as the status of their  
5 insulation in their home, then we can infer that a very  
6 limited number of customers feel they need to  
7 participate in the home insulation program.

8           Second, the MMF seriously doubts how  
9 reliable such a figure is given the fact that customers  
10 who are not insulation or home efficiency experts were  
11 asked to assess the condition of their home's -- their  
12 home's ins -- insulation on a scale of excellent to  
13 poor.

14           In past proceedings Hydro has justified  
15 this method of testing on the basis that it's better  
16 than asking for a more quali -- qualitative response  
17 such as asking a customer what their R-values are in  
18 their home since history has shown Hydro that a  
19 substantial amount of consumers simply don't know what  
20 the answer to that request is. While this  
21 justification is no doubt true it does not mean that  
22 customers are better at set -- at assessing their  
23 insulation on a less quantitative basis.

24           In order for the MMF to assess whether  
25 the Home Insulation Program is or will continue to be

1 effective for its citizens and for all-electric  
2 customers in general, it requires a much more reliable  
3 baseline in terms of the number of lower income homes  
4 that require insulation. The MMF also notes that in  
5 any event the pace of the Home Insulation Program is  
6 very slow which also demonstrates that it's not  
7 currently a serious mitigation program.

8           And just in terms of numbers the Board  
9 can look to Coalition Round 1 -- yeah, Round 1 Question  
10 69, Attachment 1, page 11 which will show you that the  
11 estimated completion of insulation projects under AEP  
12 is five thousand six hundred and eighty-three (5,683)  
13 homes out of a target of twenty-five thousand two  
14 hundred and ninety-eight (25,298) homes. And the fact  
15 that the program has been in place for six (6) years  
16 since about 2007/'08 -- '08, that works out to about  
17 3.5 percent saturation rate per year.

18           Outside of the Insulation Program the  
19 remaining measures provided by the Affordable Energy  
20 Program in which all-electric customers are eligible to  
21 participate in, such as the provision of basic  
22 measures, results in fair -- results in fairly low  
23 savings for customers in terms of their annual utility  
24 bill.

25           And if you could go to page 13. Thank

1 you. Hydro has started a relatively new initiative for  
2 First Nation communities through the Community  
3 Geothermal Program which can provide First Nation  
4 customers with significant savings in their annual  
5 space heating costs, potentially reducing their space  
6 heating costs by as much as 67 percent as compared to  
7 using an electric furnace.

8           And, Diana, if you could just back up to  
9 I believe si -- slide 11. We can see this here in the  
10 chart under annual space heating costs. If you look at  
11 an electric furnace at twelve twenty-six (1,226) per  
12 year and compare it to a geothermal system, the one (1)  
13 on the left is -- has a seasonal coefficient of  
14 performance of three (3). That annual heating bill for  
15 that customer would be four hundred and nine dollars  
16 (\$409).

17           Thanks, Diana. If you can go back to  
18 thirteen (13). Although this is a significant amount  
19 of savings that could be provided to First Nation  
20 customers and although Hydro may be considering an  
21 expansion of the program it is not currently being  
22 offered to non-First Nation communities. It is MMF's  
23 position that although the Affordable Energy Program  
24 offerings are fairly extensive there ne -- nevertheless  
25 exists a large gap in the current program offerings in

1 that, outside to some extent the Home Insulation  
2 Program, there are no real impactful measures being  
3 offered by the AEP to assist the all-electric customer.  
4 Further, the MMF's review of the Affordable Energy  
5 Program also reveals that it's achieving far less  
6 participation from all-electric customers than their  
7 actual market share.

8                   Can you go to page 14, Diana? Thank  
9 you. It should be noted that these observations made  
10 by the MMF are not only ones perceived by the MMF, but  
11 have been observed and accepted by Hydro's own  
12 independent consultant, Dunsky Engineering Consulting  
13 in its recent independent review of the Affordable  
14 Energy Program. In commenting on the aspects of the  
15 Affordable Energy Program that require improvement  
16 Dunsky states in his report -- and -- and his report  
17 can be found at Coalition -- MKO/Coalition Round 1  
18 Question 9, Attachment 1, page 48. So Dunsky states:

19                   "The main gap in the current offering  
20                   is the lack of a good alternative for  
21                   homes heated with electric  
22                   baseboards. As we'll discuss further  
23                   in a following section, the AEP is  
24                   getting far less electric heated  
25                   participants than their actual market

1 share and savings per cu -- per  
2 participant are also lower than for  
3 gas customers."

4 Dunsky also states at page 46 of his  
5 report:

6 "Gas furnace replacement is an  
7 important measure for the program.  
8 Forty (40) percent of all AEP  
9 participants and 52 percent of gas  
10 heated -- heated participants are  
11 receiving a new furnace through this  
12 program. There is no equivalent  
13 offering for electric heated homes  
14 except for switching to gas which can  
15 be impossible if the home is not  
16 located within the gas service areas.  
17 Electric low-income customers  
18 represent 44 percent of the target  
19 market, but only 22 percent of AEP  
20 participants. While the higher price  
21 of electricity might have induced  
22 some improvements in building  
23 envelope compared to gas customers  
24 and thus reduce the potential for  
25 insulation upgrades, it is fair to

1           assume that electric customer  
2           participation could be increased with  
3           a more appealing and comprehensive  
4           offering."

5           And again, that was stated by Dunsky at  
6 page 46 of his report.

7           Hydro confirmed in cross-examination  
8 that Dunsky's calculations of the amount and  
9 participation rate for all-electric customers in the  
10 AEP were in fact correct. And that can be found at  
11 page 3,112 of the transcript.

12           In terms of a potentially viable  
13 solution to correct this inequity found within the  
14 Affordable Energy Program, Dunsky recommends in his  
15 report that air-source heat pumps are definitely worth  
16 considering as an addition to AEP's offering, both to  
17 increase participation rates and depth of savings for  
18 electric customers. And that's at page 44 of his  
19 report.

20           Dunsky also makes the following  
21 observation regarding cold-climate air-source heat  
22 pumps at page 46 of his report, and I quote:

23                   "Air-source heat pumps could provide  
24                   deeper savings and higher electric  
25                   customers' participation. They could

1                   be offered on the same basis as  
2                   furnaces, with a fixed monthly  
3                   payment representing a share of the  
4                   total cost."

5                   After explaining the tremendous  
6 evolution in the technology associated with cold-  
7 climate heat pumps over the past decade, most notably  
8 in their ability to work effectively in colder climates  
9 and also noting that Hydro's currently involved in  
10 monitoring two (2) air-source heat pumps, Dunsky  
11 recommends that Hydro expand the field monitoring of  
12 cold-climate air-source heat pumps to include models  
13 from several manufacturers and to choose those models  
14 that are particularly suited for very cold climate  
15 operation.

16                   It should be noted that Hydro's own  
17 estimated provided in this hearing indicate that a  
18 cold-climate heat pump with a seasonal coefficient of  
19 performance of two (2) can provide an all-electric  
20 customer with a 50 percent reduction in his or her  
21 annual space-heating costs. And reference to that can  
22 be found at GAC Round 1 Question 66(b), Attachment 1,  
23 page 1.

24                   It should be noted that the annual  
25 space-heating costs for a cold-climate air-source heat

1 pump is the same as a geothermal heat pump with a  
2 seasonal coefficient performance of two (2), yet has  
3 been estimated by Hydro to cost hundreds if not  
4 thousands of dollars less than a geothermal heat pump.

5                   And references can be found at PUB Round  
6 2 Question 58(d) page 37, and as well transcript pages  
7 3,170, 3,133 to 3,134, and MMF Round 2 Question 4(a)(d)  
8 -- (a) to (d), page 7.

9                   In addition to initiatives associated  
10 with cold-climate air-source heat pumps, Dunsky also  
11 recommends that appliance replacement should be also  
12 considered as a way to drive electrical savings costs -  
13 - electrical savings costs effectively by utilizing the  
14 existing infrastructure in place for the refrigerator  
15 retirement program.

16                   The MMF endorses the recommendations by  
17 Dunsky both with respect to potentially adding cold-  
18 climate heat pumps as a new offering under the  
19 Affordable Energy Program, as well as including an  
20 appliance replacement program, providing of course that  
21 the programs are cost effective.

22                   In terms of the appliance replacement  
23 program, the MMF also notes that this initiative may  
24 achieve satisfactory participation rates as the 2009  
25 energy -- residential energy use survey confirms that

1 refrigerators owned by low-income customers are older  
2 than those -- than those used by non-low-income  
3 customers.

4                   One (1) final observation that we wish  
5 to provide the Board in terms of the Affordable Energy  
6 Program as a whole simply relates to the pace of the  
7 program. Notwithstanding the major gap in the  
8 program's offering from the perspective of an all-  
9 electric customer, the pace of the program even with  
10 its current offering is wholly inadequate -- is wholly  
11 inadequate.

12                   As noted in the 2013/'14 annual review  
13 of the Affordable Energy Program, the AEP reached a  
14 total of eight thousand four hundred and sixty-two  
15 (8,462) customers as of the end of fiscal 2014 from its  
16 inception date in December of 2007.

17                   Considering that there are over one  
18 hundred and fifteen thousand (115,000) LICO-125  
19 customers, this result -- this result produces a total  
20 participation rate of just over 7 percent since the  
21 program's inception.

22                   Consequently, providing the AEP program  
23 continues at its present pace, it'll hardly put a dent  
24 into the problem over the next number of years, and at  
25 best will only address a very small fraction of low-

1 income households.

2           At the current pace of the AEP, it'll  
3 take approximately an additional thirty-five (35) years  
4 before it reaches only 50 percent of its target  
5 population.

6           In terms of Power Smart programs offered  
7 by Hydro outside of AEP, and in particular the on-bill  
8 financing programs, although Hydro states that said  
9 programs are available to all residential customers  
10 including low-income customers, it is important to  
11 point out that said programs require participating -- a  
12 participating customer to have good credit, which is an  
13 obvious major impediment to many low-income customers.  
14 Even if certain low-income customers are in good  
15 standing with Hydro, entering into additional financing  
16 arrangements is not something one would expect a low-  
17 income customer to find particularly attractive.

18           A Power Smart Program that is available  
19 to non-low income all-electric customers that can  
20 provide them with sig -- fairly significant savings is  
21 the Home Insulation Program, and that program's outside  
22 of the -- the one offered in the Affordable Energy  
23 Program. The unfortunate part about this program,  
24 again, is pace, though.

25           Since May of 2014, eleven thousand three

1 hundred and twenty-four (11,324) homes using  
2 electricity as a fuel source have participated in the  
3 program. The program's initial target was thirty-five  
4 thousand (35,000) electric homes, which, presuming that  
5 target number has not changed, it'll take approximately  
6 twenty (20) more years to reach all of the targeted  
7 customers.

8                   In summary, with respect to the Power  
9 Smart, and in particular the Affordable Energy Program,  
10 the MMF is of the opinion that there's a large gap in  
11 the pur -- current program offering, and that with the  
12 exception to the insulation program, there are no real  
13 impactful measures being offered by the AEP to assist  
14 the all-electric customer.

15                   In addition, and likely as a direct  
16 result of the program offering, the AEP is achieving  
17 far less participation from all-electric customers than  
18 their actual market share. Diana, if you could go to  
19 page 16?

20                   I'd just like to talk about the DSM  
21 budget that Hydro sets for just a bit. A -- a concern  
22 to the MMF is that despite the overall importance of  
23 DSM, and in particular, its ability to assist customers  
24 with reducing the impact of rate increases, and despite  
25 the large gap in the current DSM program offerings for

1 all-electric customers, Hydro historically has and  
2 continues to spend much less than their annual  
3 projected DSM budget.

4           In the MMF's opi -- opinion -- position,  
5 sorry, the Board's reason for Order 43/'13 for  
6 requiring Hydro to replace any underspent portion of  
7 its DSM budget in -- into a deferral account, was to  
8 ensure that Hydro actually spent the amount it budgeted  
9 to spend, especially since Hydro's revenue requirements  
10 are based on the budgeted level of DSM spending.

11           In the MMF's respectful opinion, Hydro's  
12 current assertion that DSM deferral account is no  
13 longer required, simply due to the fact that it is  
14 budgeted to spend more on DSM, is simply without merit.  
15 History has confirmed that Hydro does not spend its  
16 planned DSM budget, as evidenced by the current \$16.3  
17 million currently sitting in the electric DSM deferral  
18 account.

19           Even more importantly, however, is that  
20 when Hydro doubled its planned DSM spending -- DSM  
21 budget in MH14 as compared to MH13, it managed to  
22 underspend its DSM budget this past fiscal year by a  
23 whopping \$19 million, resulting in a total under-  
24 expenditure of \$35.5 million from the planned budge in  
25 the last three (3) years alone.

1                   It is clear that Hydro's proposed plan  
2 to spend more on DSM does not mean that this will, in  
3 fact, occur, even if Hydro has the best intentions. In  
4 the MMF's opinion, the Board ordered that -- ordered  
5 the DSM deferral account in Order 43/'13 not only to  
6 encourage, but in fact, require Hydro to spend the  
7 planned DSM budget, especially since it formed part of  
8 Hydro's revenue requirement, as I mentioned previously.

9                   In the MMF's opinion, given the  
10 importance of future DSM programs in terms of  
11 mitigating proposed rate increases, and due to the fact  
12 that Hydro has not sufficiently demonstrated that it  
13 will, in fact, spend its planned budget for the next  
14 fiscal year, the Board should not grant Hydro's request  
15 to rescind the DSM deferral account. Diana, if you  
16 could go to page 17?

17                   It should also be noted that not only  
18 does Hydro have trouble spending its DSM budget, it  
19 also has no intentions at the present time to  
20 contribute any additional funds to the Affordable  
21 Energy Fund, despite the fact that the fund will be  
22 almost entirely spent by the next fiscal -- fiscal  
23 year, 2016/'17.

24                   The purpose of the Affordable Energy  
25 Fund, as set out under the Energy Savings Act, is:

1            "To provide support for programs,  
2            services, and projects that encourage  
3            and realize energy efficiency  
4            improvements and conservation, and  
5            which are to be designed such that  
6            they can be accessed and delivered to  
7            individuals living in rural or  
8            northern Manitoba, seniors, and  
9            people with low incomes."

10            And for that reference, you can review -  
11 - or see Section 5 and 6 of the Energy Savings Act.

12            It is surprising to the MMF that Hydro  
13 has no current plans to contribute any additional funds  
14 into the Affordable Energy Fund, especially considering  
15 the Board's and the Province's recommendation and  
16 requirement, in the words of former Minst -- Minister  
17 Struthers:

18            "To develop and implement without  
19            delay enhancements to DSM programming  
20            in areas identified as priorities in  
21            the NFAT review, including --  
22            including special outreach to low  
23            income families, Aboriginal, and  
24            northern communities."

25            Go to page 18, Diana. Thank you. As

1 indicated previously, Manitoba Hydro's overall strategy  
2 to mitigate bill impacts not only involves DSM, but  
3 also involves bill management and emergency financial  
4 assistance. The MMF would like to provide the Board  
5 with a few observations regarding Hydro's bill  
6 management and emergency financial assistance programs  
7 and their respective ability to mitigate bill impacts  
8 for vulnerable customers.

9                   In terms of Hydro's collection  
10 procedures it currently implements a late payment fee  
11 of 16.08 percent interest per year on the outstanding  
12 balance owed by a particular customer. Notwithstanding  
13 Hydro's policy to implement such a charge as an  
14 economic incentive for a customer to pay, Hydro has  
15 indicated on the record that it is not aware of the  
16 effectiveness of late payment charges in terms of  
17 incentivizing customers to pay their bills and does not  
18 even track whether or not the late payment fee is  
19 ultimately collected.

20                   In addition, Hydro is not aware of  
21 whether, and to the extent late payment fees are --  
22 sorry, Hydro is not aware of whether, and to the extent  
23 late payment fees are at reducing collection costs, or  
24 how they are impacting a customer's ability to pay.

25                   And a late payment fee cannot currently

1 be justified or confirmed by Hydro as meeting its  
2 intended purpose, which is to incentivize customers to  
3 pay their bills, it is the MMF's position that the late  
4 payment fee should be waived, or at a minimum reduced  
5 to prevailing interest rates offered on secured loans,  
6 or by Hydro on its on bill financing programs such as  
7 PAYS, until -- unless and until Hydro can provide an  
8 objective and sound basis for charging such a fee.

9           Go to page 19. When Hydro refers to  
10 offering emergency financial assistance to its  
11 customers it is generally referring to the Neighbours  
12 Helping Neighbours Program, which provides one (1) time  
13 emergency funding to assist families and individuals  
14 living at or near the poverty line.

15           Although the Neighbours Helping  
16 Neighbours Program is intended to provide one (1) time  
17 emergency financial assistance to participants, the  
18 inad -- the inadequacy of the program, even with  
19 respect to providing one (1) time emergency financial  
20 support, appears to be evident in reviewing the  
21 programs 2013/2014 annual report, which reveals that  
22 the program is currently running a deficit -- or at  
23 least at that time of thirty-one thousand and seventy-  
24 seven dollars (\$31,077), despite the fact that the  
25 previous fiscal year ended with a ninety-seven thousand

1 dollar (\$97,000) surplus.

2                   This deficit appears to be due to the  
3 fact that a record amount of grants were issued last  
4 year -- or assistance grants were issued last year in  
5 the amount of over four hundred and seventy-six  
6 thousand dollars (\$476,000). A second observation  
7 regarding the Neighbours Helping Neighbours Program is  
8 that it appears that the vast majority of participants  
9 in the program are from Winnipeg, and the extent to  
10 which rural all-electric customers participate in the  
11 program is unclear.

12                   Page 20. Thank you, Diana. I just want  
13 to talk a little bit about the bill affordability  
14 program that's being proposed by GAC. The MMF strongly  
15 believes that Hydro's bill assistance program requires  
16 some work in order to make it much -- in order to make  
17 it a much more effective -- in order to make it more  
18 effective in assisting customers.

19                   As the Board is well aware, GAC is of  
20 the opinion that a bill affordability program should be  
21 ordered by the Board, whereby a collaborative process  
22 will be undertaken by stakeholders to determine how to  
23 implement such a program, which would include a  
24 discussion regarding a suite of interventions, as  
25 mentioned by Mr. Colton, including emergency financial

1 assist -- emergency assistance, energy efficiency  
2 initiatives, credit and collection practices, bill  
3 affordability assistance, and arrearage management.

4           The MMF is generally supportive of this  
5 approach and certainly wishes to be a part of such a  
6 collaborative process if ordered by the Board. That  
7 being said, the MMF wishes to proceed cautiously,  
8 especially with respect to the potential introduction  
9 of bill affordability assistance within an overall bill  
10 affordability program.

11           The MMF believes that in order for a  
12 bill assistance to -- program to work it must be  
13 designed in such a way that it reaches a very  
14 significant percentage of the target population without  
15 too severely impacting the non-participating parties of  
16 the program. Failure to significantly reach the target  
17 population could have the effect of causing further  
18 financial burden on vulnerable customers who do not  
19 participate.

20           Further, as the MMF has not yet had the  
21 opportunity to evalu -- to fully evaluate and assess  
22 the implications of a bill assistance program on its  
23 citizens, nor has it had the opportunity to consult  
24 with its citizens on the matter, the MMF is not  
25 currently in a position to state whether it is

1 supportive of a bill assistance program being mandated  
2 by the Board in terms of the proposed collaborative  
3 process.

4

5

(BRIEF PAUSE)

6

7 MR. TOMAS MASI: Mr. Colton, in both  
8 his written and oral testimony advised of the  
9 importance of the presence and particular of various  
10 stakeholders in the collaborative process he is  
11 proposing. One (1) concern of the MMF though, is that  
12 Mr. Colton did not provide any indication of whether or  
13 not any funding will or should be available to  
14 stakeholders that have limited or dedicated financial  
15 resources.

16 The MMF is concerned that if no funding  
17 is provided to those stakeholders that require it,  
18 their participation will be severely constrained.

19 In spite of these concerns, the MMF  
20 agrees that current bill assistant measures offered by  
21 Hydro are not sufficient. The problem regarding  
22 affordability, especially for the MMF's vulnerable  
23 citizens, is likely to get considerably worse in the  
24 event that long-term rate increases become a reality.  
25 The MMF believes that a bill affordability program

1 which may include bill assistance measures could be  
2 effective in terms of addressing the inability to pay  
3 problem faced by low-income customers. As a result,  
4 the MMF is supportive of a multi-stakeholder  
5 collaborative process being ordered by the Board for  
6 interested parties to discuss the impli --  
7 implementation of a bill affordability program.

8                   Diana, if you can turn to page 21? In  
9 addition to Hydro increasing its efforts to reduce or  
10 mitigate the proposed rate increase through DSM and  
11 through bill management, the MMF strongly believes that  
12 the provincial government of Manitoba can also increase  
13 its efforts to assist customers. The MMF believes  
14 there are two (2) principle reasons that the Province  
15 of Manitoba should increase its efforts with respect to  
16 alleviating the present and future impending burden  
17 that will be experienced not only by the MMF's  
18 citizens, and in particular, those most vulnerable, but  
19 by all vulnerable individuals throughout the province.

20                   Firstly, and this may go to a point made  
21 by -- by Dr. Grant earlier today, the Government of  
22 Manitoba's mandate includes providing services to  
23 Manitobans that are essential to the health and well-  
24 being of Manitobans pursuant to the Manitoba Assistance  
25 Act.

1                   Secondly, and more importantly in the  
2 context of this proceeding, the payments made by  
3 Manitoba Hydro to the provincial government by way of  
4 capital taxes is -- is expected to almost double from  
5 fiscal 2013 to 2019, from \$55 million to \$104 million,  
6 directly as a result of the planned capital projects  
7 that are currently being undertaken by Hydro, including  
8 Bipole III, Keeyask, and the Minnesota Transmission  
9 Line. And in addition, water rental payments to the  
10 province are expected to increase by \$15 million  
11 annually by the time Keeyask is fully operational in  
12 2022, and will continue thereafter.

13                   Despite this dramatic increase in  
14 revenue to be received by the provincial government, as  
15 noted in -- as noted by the Board in page 191 of its  
16 fin -- NFAT final review, the ratepayers are shoul --  
17 shouldering the various risks associated with the  
18 development of the capital projects undertaken by Hydro  
19 with the additional capital taxes and water rental  
20 payments realized by the provincial government  
21 relatively risk free.

22                   Ultimately, the Board recommended in the  
23 NFAT final report that the provincial government should  
24 direct a portion of its incremental capital taxes and  
25 water rental fees to be used to mitigate the impact of

1 rate increases on lower income customers, as well as  
2 northern and Aboriginal communities. The MMF endorses  
3 and fully supports the Board's recommendation in this  
4 regard, and in light of the province's current lack of  
5 firm commitment towards said recommendation, the MMF  
6 supports a further similar recommendation to be issued  
7 by the Board in its final order in this proceeding.

8                   Prior to providing the Board with the  
9 MMF's recommendations, I would simply like to speak to  
10 Hydro's current response to the projected residential  
11 load growth of electricity due to the increased  
12 saturation of electric space and water heating systems.  
13 Thank you, Diana.

14

15                   (BRIEF PAUSE)

16

17                   MR. TOMAS MASI: Hydro has stated in  
18 this proceeding that the expected growth -- the  
19 expected load growth, due to an increased saturation of  
20 electric space and water heating systems is primarily  
21 due to the fact -- due to market factors affecting  
22 equipment choices in natural gas available areas of  
23 Manitoba, including the lower up-front costs and  
24 installation costs associated with electric space and  
25 water heating systems.

1                   Hydro's current response to deal with  
2 this increasing trend of electric system installations  
3 is the heating fuel choice initiative, which is an  
4 educational approach aimed at informing customers of  
5 the various factors which should be considered in  
6 making fuel choice decisions. The MMF questions the  
7 effectiveness of this initiative, given that, as  
8 confirmed by Hydro in cross, the decisions in terms of  
9 selecting heating equipment in new builds typically  
10 rests with the homebuilder.

11                   As noted in MH Exhibit 110, given that  
12 the average capital cost associated with the high  
13 efficient natural gas furnace is almost twice as high  
14 as for an electric furnace, it is hard to believe that  
15 a homebuilder will decide to install the much more  
16 expensive natural gas system without any financial or  
17 marketing excentive -- marketing incentive offered by  
18 Hydro.

19                   As the heating fuel choice initiative is  
20 a fairly new one, admittedly it is not particularly  
21 clear what is being done by Hydro at the present time.  
22 The MMF recommends that at a minimum, Hydro should  
23 provide a marketing -- a marketing incentive to new  
24 homebuilders who agree to participate in the heating  
25 fuel choice initiative. For example, Hydro could

1 provide a special designation or label along with  
2 supporting marketing materials to a builder who chooses  
3 to install in all of its new homes natural gas, space  
4 and water heating systems, providing the homes are  
5 located within natural gas service areas. The builder  
6 then will have the added benefit of using or marketing  
7 the designation provided by Hydro to its potential  
8 customers.

9                   In addition to providing a marketing  
10 incentive, the MMF is of the position that financial  
11 incentives are likely going to be required in order to  
12 defray the large differ -- difference in capital costs  
13 between natural gas heating and electric -- electric  
14 heating systems. Go to page 23, Diana.

15                   Now, I've provided the Board, and I hope  
16 all parties have it, a document that's titled  
17 'Recommended Incremental Minimum Filing Requirements  
18 Requested by the Manitoba Metis Federation Inc.'

19                   I'd like to file this document right now  
20 as Exhibit number 9 -- sorry, MMF Exhibit number 9.

21                   THE CHAIRPERSON:    Confirmed.

22                   MR. TOMAS MASI:    Thank you.

23

24 --- EXHIBIT NO. MMF-9:           Document entitled,

25                                       "Recommended Incremental

1 Minimum Filing Requirements  
2 Requested by the Manitoba  
3 Metis Federation Inc."  
4

5 MR. TOMAS MASI: Just with respect to  
6 this document, the MMF by both -- by way of both its  
7 First and Second Round Information Requests in this  
8 proceeding identified several data gaps in the records  
9 obtained and/or retained by Manitoba Hydro.

10 The MMF believes that many, if not all,  
11 of the data gaps found within Manitoba Hydro's  
12 responses to Information Requests posed by the MMF are  
13 of significant importance to the MMF in terms of being  
14 able to properly identify and consider potential issues  
15 faced by its citizens, and in particular, the customer  
16 groups tasked by the Public Utilities Board for the MMF  
17 to consider.

18 Said customer groups include low-income  
19 customers, rural all-electric customers, and small and  
20 medium general service customers of Hydro.

21 As a result, I have prepared a list that  
22 you see before you in Exhibit -- MMF Exhibit number 9  
23 of the required information that the MMF requests that  
24 the Public Utilities Board require Manitoba Hydro to  
25 include in its filings for future general rate

1 applications.

2 I don't purport to go through the list  
3 at the present time. Perhaps Hydro can speak to any  
4 items that they -- that they may not wish to provide in  
5 their closing submissions. But I can certainly answer  
6 any questions the Board may have with respect to that  
7 list.

8 Notwithstanding the requests for this  
9 information, the MMF wishes to advise the Board that it  
10 will engage in off-the-record discussions with Manitoba  
11 Hydro regarding any additional information or data that  
12 the MMF requires to be tracked by Hydro.

13 The next document I'd like to file is a  
14 document titled 'Recommendations of the Manitoba Metis  
15 Federation Inc.' I'd like to file -- I believe  
16 everyone should have that document. I'd like to file  
17 it as MMF Exhibit number 10.

18

19 --- EXHIBIT NO. MMF-10: Document entitled,  
20 "Recommendations of the  
21 Manitoba Metis Federation  
22 Inc."

23

24 MR. TOMAS MASI: And what this document  
25 is, is essentially lists the recommendations that we're

1 asking the Board to consider. And perhaps maybe it  
2 would be best to -- to quickly review them with the  
3 Board and -- and then leave it with them -- leave it  
4 with you.

5                   So the first recommendation is that the  
6 Board find that Manitoba Hydro's low-income all-  
7 electric customers are particularly vulnerable to any  
8 ordered rate increases.

9                   Number 2, the Board find that Manitoba  
10 Hydro's DSM programs, and in particular, the Affordable  
11 Energy Program, do not provide similar energy-saving  
12 measures and opportunity -- opportunities for all-  
13 electric customers as compared to standard electric  
14 customers.

15                   Number 3, the Board order the  
16 preservation of the DSM deferral account, whereby any  
17 funds within said account are only to be used by  
18 Manitoba Hydro specifically for DSM initiatives,  
19 including the design and implementation of DSM programs  
20 for all-electric customers.

21                   Number 4, the Board find that Hydro's  
22 revenue requirements are determined in part based on  
23 the level of demand-side management spending as set out  
24 in Hydro's 2015/2016 Power Smart report. And to the  
25 extent that Manitoba Hydro's spending on DSM in

1 2015/'16 falls below said level, the Board shall direct  
2 Manitoba Hydro to place the discrepancy into the DSM  
3 deferral account established by way of Board Order  
4 43/'13, the disposition of which is to be determined by  
5 the Board at the next general rate application.

6           Number 5, the Board recommend that Hydro  
7 target higher levels of domestic customer energy  
8 savings for all-electric customers through the use of  
9 budgeted demand-side management investment for 2015/'16  
10 or through the use of funds within the DSM deferral  
11 account.

12           Number 6, the Board recommend that Hydro  
13 conduct a pilot project for cold-climate air-source  
14 heat pumps in an effort to create and collect the  
15 necessary data to determine the cost, capacity,  
16 efficiency, and efficacy of said technology.

17           This will allow Hydro to determine  
18 whether it can design a cost-effective DSM program  
19 involving cold-climate air-source heat pumps. The  
20 pilot project should involve models of cold-climate  
21 heat pumps from several manufacturers, including  
22 ductless models, and the models chosen should be  
23 particularly designed to be well-suited for very cold  
24 climate operation, as recommended by Dunsky Ener --  
25 Energy Consulting. Hydro should report the results of

1 such a pilot project to the Board.

2                   Number 7, the Board recommend that Hydro  
3 evaluate and consider the cost-effectiveness of an  
4 applicant -- appliance replacement program, again as  
5 recommended by Dunsky Energy Consulting, and report the  
6 results of such an assessment to the Board.

7                   Number 8, the Board recommend that Hydro  
8 evaluate and consider fuel-switching opportunities for  
9 all-electric customers, including through the use of  
10 biomass for space and water heating, and report that  
11 back to the Board, as well.

12                   Number 9, the Board recommend that Hydro  
13 make best efforts to increase the pace of the  
14 Affordable Energy Program.

15                   Number 10, the Board recommend that  
16 Hydro hire an independent engineering contractor to  
17 conduct a physical survey of the present condition of  
18 lower-income household insulation, and report back to  
19 the Board.

20                   Number 11, the Board recommend that  
21 Hydro eliminate the late payment charge currently  
22 applied to customers accounts that are in arrears, or  
23 alternatively recommend that Hydro reduce the interest  
24 rate charge from 16.093 percent annually to the  
25 interest rate charged by Hydro in its PAYS program.

1                   Number 12, the Board order that a bill  
2 affordability program for Manitoba Hydro be subject to  
3 a multi-stakeholder collaborative process, and that any  
4 areas of disagreement between the parties with respect  
5 to the program be determined by the Board by way of  
6 further proceedings as initiated or directed by the  
7 Board.

8                   The -- the MMF is not supportive at the  
9 present time of the Board ordering that a bill  
10 assistance program be a requirement of an overall bill  
11 affordability program, but rather that such a program  
12 may form part of the discussions within that  
13 collaborative process.

14                   And the last recommendation is that the  
15 Board order that Manitoba Hydro file with the Board in  
16 future general rate applications the data set out in  
17 the list on MMF Exhibit number 9.

18                   And just a final comment with respect to  
19 the proposed rate increases. With respect to Hydro's  
20 request for final approval of the two point seven-five  
21 (2.75) interim rate increase granted by the for -- by -  
22 - by the Board May 1st, 2014, and its request for  
23 approval of an additional rate increase of 3.95 percent  
24 for fiscal 2015/'16, the MMF cannot support the request  
25 for said rate increase in light of the MMF's opinion

1 that Hydro has failed to provide adequate mitigation  
2 opportunities through DSM initiatives, and/or bill  
3 assistance, most notably for its citizens who are all-  
4 electric customers.

5                   Hydro has failed to properly and  
6 adequately assist vulnerable all-electric customers,  
7 despite repeated requests by the Board, and more  
8 recently, by the Province to do so. The MMF fully  
9 appreciates that Hydro will be faced with significant  
10 expenditures in the future relating to both sustaining  
11 capital and major new generation and transmission.

12                   Notwithstanding this, the Board's  
13 jurisdiction and mandate is to set just and reasonable  
14 rates for Hydro that are in the public interest, which  
15 includes consideration of the fiscal health of the  
16 utility, as well as the impact of rates on cust -- on  
17 customers.

18                   The MMF is of the opinion that as Hydro  
19 has failed to provide the necessary tools for its  
20 citizens, and in particular, those who are all-electric  
21 customers, to effectively mitigate the proposed rate  
22 increases, it is not in the public interest to award  
23 the rates sought by Hydro in the present general rate  
24 application.

25                   This may also have the added effect of

1 providing Hydro with the necessary motivation on a go-  
2 forward basis to ensure it provides vulnerable  
3 customers with the required tools to alleviate the  
4 burden associated with a long-term forecast of rate  
5 increases. Notwithstanding the MMF's position with  
6 respect to Hydro's requested rate increases, the MMF --  
7 the MMF is cognisant of the fact that a rate increase  
8 is likely necessary in the present circumstances in  
9 order to maintain the fiscal health of Hydro, and to  
10 avoid rate shock to customers in the future.

11           Given the MMF's limited scope in this  
12 proceeding, however, it does not feel it's in a  
13 position to propose a specific percentage in terms of  
14 the rate increase to be ordered by this Board, and  
15 defers to the Board to make such a determination. The  
16 MMF trusts that the Board will consider the concerns  
17 that it has raised with respect to Hydro's requested  
18 rate increases, and has confidence in the Board with  
19 respect -- with respect to making a proper  
20 determination in that regard.

21           Subject to any questions the Board may  
22 have, that concludes my closing remarks on behalf of  
23 the MMF.

24           THE CHAIRPERSON:    Thank you, Mr. Masi.

25

1 (BRIEF PAUSE)

2

3 THE CHAIRPERSON: Now, the Board has no  
4 questions. A very clear presentation -- oh, I'm sorry.  
5 Excuse me.

6 DR. HUGH GRANT: Would it be fair to  
7 characterize this as saying that the inequity that is  
8 emerging because of the all-electric, people not having  
9 access to natural gas, and as we get natural gas prices  
10 falling, this -- this sort of inequity seems to  
11 increase. And so in -- in a sense, imposing uniform  
12 rates is equal but not equitable in -- in that respect.

13 And so short of saying you want a new  
14 energy class for -- or billing class for all-electric,  
15 you're trying to get at this disparity primarily  
16 through some of the DSM initiative and other sorts of -  
17 - would that be fair characterization of things?

18 MR. TOMAS MASI: That's a very fair  
19 characterization, especially with respect to this  
20 current proceeding. That's not to suggest that there  
21 may be different alternatives in the future in terms of  
22 correcting that -- that disparity or inequity between  
23 the two (2) customer classes, but for the purpose of  
24 this proceeding, that's precisely our position.

25 DR. HUGH GRANT: And so it'd be an more

1 interesting attempt if -- if -- what we heard today,  
2 that uniform rates has some geographical understanding,  
3 but not beyond that, it would be an interesting  
4 argument to say -- because there's a strong overlap  
5 between access and natural gas and geography.

6 But that's per se -- it's not by virtue  
7 of geography, necessarily, that it's distinct. It's  
8 more -- anyway. It -- it's an interesting argument.

9 MR. TOMAS MASI: Thank you. Thank you,  
10 Dr. Grant.

11 THE CHAIRPERSON: So thank you, Mr.  
12 Masi. Very clear presentation. Thank you for your  
13 contribution to these deliberations of the panel, and,  
14 you know, if -- if we have further questions, we'll --  
15 we'll address them in due course. Thank you.

16 MR. TOMAS MASI: Thank you. And --  
17 and, Mr. Chair, maybe I should just mention I don't  
18 believe the PowerPoint presentation was filed as -- as  
19 an exhibit, or was it? It was? Okay. Thank you.

20 THE CHAIRPERSON: Thank you very much.

21 Let's stand down for a -- a sec -- for a  
22 minute or two (2) and let Mr. Orle reposition himself.  
23 Thank you.

24

25 --- Upon recessing at 1:55 p.m.

1 --- Upon resuming at 2:08 p.m.

2

3 THE CHAIRPERSON: I believe that we're  
4 ready to resume the proceedings. So without further  
5 ado, I'll ask Mr. Orle to make his closing arguments.  
6 Thank you.

7

8 CLOSING SUBMISSIONS BY MKO:

9 MR. GEORGE ORLE: Thank you, Mr. Chair,  
10 members of the panel. I appreciate being able to make  
11 our final submission on behalf of my clients,  
12 Keewatinowi Okimakanak, MKO, as they'll be referred to  
13 henceforth.

14 We had indicated in our opening  
15 statement who MKO was. I'll remind you it's an  
16 organization representing sixty-five thousand (65,000)  
17 First Nations residents, all in northern Manitoba, all  
18 of whom live on reserves as defined under the Indian  
19 Act, subject to the Indian Act, subject to federal  
20 jurisdiction.

21 They are all served by Manitoba Hydro,  
22 and there are no other alternative sources of the  
23 equivalent to hydro available to them.

24 I'd like to begin my presentation,  
25 members of the panel, with some words that were

1 included in the NFAT report. And essentially, it was  
2 set out as "Message From the Panel." This is the way  
3 you started your report a year ago, almost three (3)  
4 days short of a year.

5 And the paragraph read:

6 "Faced with these uncertainties  
7 regards to the -- the hearing that  
8 had been held] and in light of the  
9 short time frame for the panel to  
10 conduct the review, it would have  
11 been tempting to recommend deferring  
12 decisions. The panel took a  
13 different route. This report frames  
14 a new energy future for Manitoba."

15 That was the message, a message that was  
16 taken to heart by certainly my -- my clients, the --  
17 the Hydro customers in the north of MKO.

18 My clients' fear is that they face no  
19 future energy policy in Manitoba. They may even be  
20 afraid that they are not included in any energy policy  
21 for Manitoba, and that they may not be able to, given  
22 the circumstances that exist right now in terms of  
23 affordability, be able to be even part of that future  
24 energy plan.

25 Normally, I -- I do clean-up after Mr.

1 Williams has given his presentation. And given that he  
2 was going to take three (3) hours, I've reduced mine  
3 appropriately. Mr. Williams now tells me that I'm  
4 going to be the appetizer for his -- his main course.

5           And so if -- if I seem a little light on  
6 some of the specifics, it's only because I know that  
7 they're going to be covered. I've seen Mr. Williams's  
8 report, the depth to which it goes to in terms of the  
9 initial recommendations which we make regarding the  
10 amount, and the deferment of the time period will be  
11 covered more adequately by him.

12           And also, given the evidence that was  
13 given by MIPUG, there will be certain areas that they  
14 will cover that will highlight part of the  
15 recommendations that we make. Those again, will be  
16 based upon evidence that you will hear, and a  
17 submission that you will hear from -- from that  
18 Intervenor.

19           I began my -- my presentation by going  
20 straight to the -- the chase, and that is setting out  
21 what the recommendations of MKO are to this panel. And  
22 they're set out on page 2 of the outline. The first  
23 recommendation is that there be no increase in rates  
24 over the amount of 2 percent for the next two (2)  
25 years.

1                    Secondly, that Manitoba Hydro be  
2 directed over the next two (2) years to initiate and  
3 implement a full set of DSM programs for First Nations  
4 reserves that provide a comparable saving over a  
5 similar time frame to conversion to gas heating from  
6 electric, less the cost of the equipment change.

7                    Thirdly, that all First Nation accounts  
8 be set up as a separate class at the same rates as  
9 similar classes, but taking into account reductions by  
10 the amount of mitigation costs that are now part of the  
11 rate, removal of the portion of the water rental and  
12 capital tax from the rates in the First Nation class,  
13 and to take out the component which is the Manitoba  
14 provincial interest surcharge as levied upon the loans  
15 that make up a portion of the rate.

16                    Fourthly, that a low-income program be  
17 implemented that targets low-income First Nations  
18 ratepayers.

19                    Fifthly, that Manitoba Hydro set up and  
20 implement a program or procedure that would alleviate  
21 all current arrears by a combination of long-term  
22 repayment terms and writeoffs of all interests and  
23 penalties that would facilitate and encourage payment  
24 of past and current arrears.

25                    And lastly, that in the alternative a

1 separate meter system be set up for all First Nation  
2 ratepayers, which measures heating costs with rates to  
3 be set using the same methodology that is used to bill  
4 Hydro employees residing on First Nation reserves.

5 I had set out in the next portion of my  
6 presentation a review of the legislation. And -- and I  
7 know that that's something that's very well known to  
8 the Board, to the rest of the Intervenors, but  
9 occasionally it's a -- it's a good procedure to drill  
10 into certain parts of the legislation and make sure  
11 that we still understand or that we still are promoting  
12 the intents of the legislation as is set out.

13 So we start with the Manitoba Hydro Act,  
14 Section 2, the purposes and objects of the Act. And I  
15 go down to the end of the second line, that:

16 "The purpose and objects of the  
17 Manitoba Hydro Act are to promote  
18 economy and efficiency."

19 We often forget these first two (2)  
20 words, because they run into the rest of the definition  
21 as to the various components. But the -- the initial  
22 part of that part of the legislation frames the concept  
23 that the Act is to promote economy and efficiency, and  
24 then sets out in what areas it's to promote economy and  
25 efficiency, in development, generation, transmission,

1 distribution, supply, and then promote economy and  
2 efficiency for the end use of power.

3                   That's the purpose and the object of the  
4 Act. And we know that when we listen to Manitoba Hydro  
5 and I -- and I don't take this away from them, but when  
6 the Board is told that our primary consideration is the  
7 health and safety of Manitoba Hydro, and that comes  
8 before all else, well, that -- that may fit into it,  
9 but it doesn't fit entirely within what the purpose and  
10 the objects of the Act are.

11                   If I'd been impertinent I may have  
12 asked, Do you value the safety and health of Manitoba  
13 Hydro over the safety and health of my clients, the  
14 residents of MKO. That, of course, is an unfair  
15 question to ask, because it anticipates that one is  
16 going to rate one higher than the other. But for the  
17 purpose of this submission, I would like the panel to  
18 take into account that it's not only the health and  
19 safety of Manitoba Hydro that we're looking at here.  
20 It's the health and safety of ratepayers and certain  
21 groups of ratepayers that also have an interest in  
22 this.

23                   My Friend representing the Manitoba  
24 Metis Federation talked about the difference between  
25 rates that are affordable and rates that are

1 competitive. And that particularly rings true when one  
2 deals with clients such as MKO. To set rates that have  
3 the effect of actually discouraging you to use the  
4 utility accomplishes nothing. It doesn't measure any  
5 level of affordability if the affordability is such  
6 that you will not use the -- the service.

7           Heating in Manitoba is not a luxury.  
8 It's not an accompaniment that you can choose as a side  
9 dish to your needs. It's a necessity. In the north,  
10 to my clients, it's a matter of life and death. And to  
11 have to choose between all of your other necessities  
12 based upon a rate that may not be affordable to you and  
13 then to have to make the changes in your safety or the  
14 safety of your family or the promotion of the needs of  
15 your family that may be having to be left behind  
16 because of the fact that you no longer have an  
17 affordable rate is a very important consideration. And  
18 it's one (1) that -- that my clients wish to have the  
19 Board put an equal importance to, to that of the health  
20 and safety of Manitoba Hydro.

21           My clients are not a huge component of  
22 the electrical usage, but the adage that you don't kill  
23 the goose that lays the golden eggs applies to whatever  
24 segment it can. At first it may be my clients. At a  
25 later date it may be others. But the fact of the

1 matter is that the ratepayers are the ones that pay the  
2 rates. They make it happen.

3                   And if you go out of your way to make it  
4 unaffordable for them to pay their rates, or as in the  
5 case from my clients which I'll get into a little later  
6 on, they are now in the position where it is an equal  
7 choice to them to go in arrears, to have cut-offs made,  
8 that they'll avoid making the payments knowing full  
9 well that there will come a time in the spring when  
10 that cut-off will come. But it's a choice that's  
11 already being made and it's being made based upon  
12 today's rates. Not the almost 4 percent that's being  
13 targeted for.

14

(BRIEF PAUSE)

16

17                   MR. GEORGE ORLE: We go down to  
18 paragraph 39 of the Act and it talks about equalization  
19 of rates. And it talks about the rates charged for  
20 power supplied to a class of grid customers within the  
21 province shall be the same throughout the province.  
22 The legislation isn't that the rate for ratepayers will  
23 be the same. The legislation is that the rates within  
24 a class will remain the same.

25                   And if you go on to Section 39.2.2 which

1 is on page 4, it talks about the classifications,  
2 "Customers shall not be classified based solely." The  
3 words are "based solely." It's not based upon regions,  
4 but not based solely on region. If there are other  
5 considerations the legislation doesn't stop there from  
6 making a class. It only prevents you from making a  
7 class that is based solely upon a region of the  
8 province.

9                   That's important because I think we --  
10 we gloss over the fact that we're not as limited as it  
11 may seem to be when someone says, Well, you can't make  
12 the rates different. You can, but you have to lay the  
13 base. The base first of all is that you have to  
14 establish that there's a reason for a class to be  
15 established.

16                   Under the Crown Corporations Public  
17 Review and Accountability Act in Section 26, no changes  
18 in rates for services shall be made and no new rates  
19 for services shall be introduced without the approval  
20 of the Public Utilities Board. It's a decision that's  
21 given solely to you. It's not made one (1) where you -  
22 - you recommend or you have to wait for someone else to  
23 make these changes. It's this Board and this Board  
24 alone that makes the decision as to whether or not  
25 rates are approved or not approved.

1                   And if you go to page 5 where it talks  
2 about the application of the Public Utilities Board, it  
3 sets out what you take into consideration. And I'll  
4 take you down halfway down the page, part of Section  
5 26(4) where the Board may take into consideration,  
6 Roman numeral VIII:

7                   "Any compelling policy considerations  
8                   that the Board considers relevant to  
9                   the matter."

10                  That's for you. The decision is yours.  
11 Do you find that there's a compelling policy  
12 consideration that you want to put forward in  
13 determining what is a fair and reasonable rate? You  
14 have certain other matters that you have to take in,  
15 the -- the cost of service, that's already set in  
16 there, but the government didn't limit you to saying,  
17 Well, if it's the cost of service that's all we look  
18 at.

19                  They've specifically given you a  
20 guideline that there may be things that you will take  
21 into consideration as a policy. You are called the  
22 Public Utilities Board. There are considerations that  
23 matter to the public. They may not matter as much to  
24 Manitoba Hydro, but that's where you stand being able  
25 to weigh the considerations that come in and deciding,

1 what is a policy that may be one (1) that the public --  
2 the public will feel that is appropriate.

3                   And then the second section after that,  
4 or the next one (1) is that you:

5                   "May also consider any other factors  
6                   that the Board considers relevant to  
7                   the matter."

8                   Now, one would think that other matters  
9 that you might consider relevant would include other  
10 legislation that impacts upon Manitoba Hydro. I  
11 certainly would argue that that's a relevant  
12 consideration, so that when you then go on to the  
13 Energy Savings Act of Manitoba, and you'll go over to  
14 part 6, which is on page 6 of the -- of the outline,  
15 that when it talks about the types of efficiency and  
16 conservation programs and services that are to be  
17 developed, you'll see under 6(a)(ii), that:

18                   "The Corporation's residential  
19                   customers, regardless of the energy  
20                   source they use to heat their homes,  
21                   have access to comparable programs,  
22                   service, and projects."

23                   And:

24                   "May specifically assist seniors,  
25                   those with low incomes, tenants, or

1 other specified groups."

2 You don't need to have to find some  
3 legislative authority or some government permission to  
4 take into account programs that assist those that are  
5 in a low income. It's already set out in the Energy  
6 Act, an act, which I would argue is relevant to you and  
7 ought to be relevant to your considerations.

8 Secondly, I'd like to draw your  
9 attention to the word 'comparable programs'. The  
10 Oxford Dictionary defines 'comparable' as of equivalent  
11 quality. That's what the Energy Act is asking to be  
12 taken into account, that programs that are made  
13 available to the residents of Manitoba be comparable.  
14 Not that you have access to all programs, or that  
15 there's specific programs, but that the programs have  
16 to be comparable. I'll get into that a little later as  
17 we talk about the DSM programs that are available.

18 Another piece of legislation that you  
19 may find as relevant to making your determinations and  
20 may be taken into consideration is the Affordable  
21 Utility Rate Accountability Act, Act of the provincial  
22 legislature. And it's the very beginning of that Act  
23 that ought to have some meaning to this panel, or to  
24 any panel of the Public Utilities Board.

25 And it begins:

1                   "Whereas by reason of Manitoba's  
2                   ownership of Manitoba Hydro and the  
3                   Manitoba Public Insurance  
4                   Corporation, Manitobans should  
5                   benefit from low rates for  
6                   electricity, natural gla -- gas for  
7                   home heating and auto insurance."

8                   I'm not going to try to lecture you on  
9                   law or statutory interpretation, but I'll tell you  
10                  something that every lawyer in this room knows, that  
11                  when the legislature uses the word 'should' as opposed  
12                  to 'may', there's a very big difference.

13                  One is directory. It doesn't mean that  
14                  you have a choice. This Act says that Manitobans  
15                  should benefit from low rates for electricity.

16                  Now, the way that you interpret that and  
17                  the way you apply it, that's up to you. But no one can  
18                  say that's not a relevant consideration for you to take  
19                  into account.

20                  In coming here on this application being  
21                  made by Hydro when the province has already mandated in  
22                  other legislation within the province -- and there's no  
23                  disclaimer in this Act that it doesn't apply to  
24                  Manitoba Hydro. It applies across the board. And the  
25                  whole preamble is that we as Manitobans are entitled to

1 low rates, and that at some point there has to be a  
2 juggling act done between wants and needs.

3 I know that there's been a history  
4 before this panel of Manitoba Hydro taking the  
5 position, and rightly so, that they have no -- or that  
6 the Board has no decision making to be made in terms of  
7 capital projects or decisions made in regards to  
8 capital projects unless asked for by the province.

9 But that in itself sets up a  
10 dysfunctional situation. And I -- I kept thinking back  
11 to this all the way through these hearings, that it's  
12 analogous to an owner of a company telling the human  
13 resource department: You're hiring my son, and you're  
14 to pay him a reasonable and fair wage. But he gets to  
15 choose his lifestyle, and you make that fair and  
16 reasonable wage according to his decision.

17 And so when the employee comes and says,  
18 I intend on living in a house in Tuxedo in three (3)  
19 years' time, there is the basis for you making your  
20 fair and reasonable wage. We would never accept that  
21 anywhere else in the economy, but that's what you're  
22 faced with here. And it's a very difficult row to hoe.

23 And it makes it particularly difficult  
24 for Intervenors that have interests that are directly  
25 affected by the amount of a rate that may be charged

1 because of a decision being made by Manitoba Hydro.

2                   And to the extent that the Board has the  
3 right to determine what the rates are -- because you do  
4 not have the direction that the human resource  
5 department had. You have the right to set affordable  
6 and reasonable rates.

7                   And if that doesn't give Hydro enough  
8 money from the ratepayer, then perhaps Hydro ought to  
9 also be taking a look at, What other resources do we  
10 have available, or can we make available, other than  
11 going into the pocket of the ratepayer on each and  
12 every occasion that we make a decision to operate in a  
13 particular way?

14                   The next part of my presentation is  
15 going to deal with court precedents, and that was  
16 before I heard Mr. Gange's able argument on the fact  
17 that you should not be limited in being able to bring  
18 in whatever program you may think may be fit for low-  
19 income people.

20                   I agree with him 100 percent that the  
21 cases are in favour of the Board having the ability to  
22 do that, particularly since our own legislation has the  
23 ability for you to take into account policies and  
24 factors that you feel are relevant.

25                   If you feel a low-income program is good

1 policy, you are not stopped from being able to do that.  
2 And in fact, the court cases are even stronger in  
3 regard than even what we have in the legislation so  
4 that you can take either approach to being able to say,  
5 This is an important component in rate mitigation, and  
6 we want to be able to deal with it. And we don't have  
7 to wait for someone to give us permission to do that.  
8 We've already gotten it in our enabling legislation.

9 I thought it was interesting that one  
10 (1) of the cases that I found that was supportive of  
11 the -- the advocacy standard cases was a case called  
12 Toronto Hydro Electric System Limited v. the Ontario  
13 Energy Board. And I set out the -- the head note, the  
14 beginning of that case, on page 8.

15 And it was interesting to me because the  
16 hydro system went to the Court of Appeal of Ontario to  
17 say that the energy board didn't have the right to make  
18 certain conditions, and the condition that the board  
19 made in that case was that before they could pay a  
20 dividend to the company that owned them they would have  
21 to get a vote by the independent directors.

22 And Hydro said, You can't impose that.  
23 That's not a condition that the board is entitled to  
24 impose. The Court of Appeal of Ontario said it's  
25 within the board's jurisdiction to impose certain

1 conditions that they feel are appropriate in dealing  
2 with what an appropriate rate should be, or what can be  
3 done that effects the manner in which rates are being  
4 asked for.

5                   So I -- I put that case in there because  
6 I don't know if one can say that you don't have the  
7 right to act on a policy consideration when the Court  
8 of Appeal of Ontario has already said that you can go  
9 ahead and make decisions as to who has to vote on these  
10 things, and what kind of information you want from  
11 Hydro's board before we're prepared to take a look at  
12 the amount of the increase that we're calling for.

13                   Dealing with the -- the first  
14 recommendation, No increase in rates over 2 percent for  
15 the next two (2) years, 2 percent has got no magic to  
16 it. It's something that I took from Manitoba Hydro  
17 Exhibit number 31, slide 41, in which they set out the  
18 rate shock, and built it up into various levels and one  
19 of them being a 2 percent increase for the first three  
20 (3) years, and then the rate shock coming after that.

21                   First of all, an increase of -- of 3.9  
22 percent, or the -- the 5 percent that's been thrown  
23 around at the very latest part, will be severely  
24 prejudicial to MKO ratepayers. In the MKO/Manitoba  
25 Hydro Information Request number 3, it sets out the

1 number of the members that are currently in arrears of  
2 their payment, and it -- it ranges from a low of 27  
3 percent of the community to highs of close to 80  
4 percent of the community.

5                   That's based right now on today's rates.  
6 And to think that -- that having these new rates put in  
7 immediately is going to have anything other than effect  
8 of plunging these communities into complete either  
9 whole or a majority of the community being able to pay  
10 their bills and not go into arrears, it's an  
11 unreasonable assumption. And there's been nothing  
12 that's been put forward by Hydro to tell you that  
13 there's some way to mitigate that.

14                   They've targeted an increase to start  
15 right away. They've targeted no mitigation factor.  
16 They've targeted no real DSM that will alleviate that.  
17 What they want you to do, despite having a year's  
18 notice that this Board -- or this panel was very  
19 concerned about the rates, and the rates at that time  
20 were -- were 3.9 percent, just under 4 percent, and  
21 they included Conawapa.

22                   The Board took out Conawapa, and still  
23 expressed a concern that even rates that were going to  
24 be brought in without Conawapa had to be mitigated in  
25 some way. You made some recommendations, but those

1 recommendations didn't change the -- the basis of your  
2 decision, which had an entire page devoted to how these  
3 rates were going to affect the vulnerable and low-  
4 income.

5                   And you let it be known that this was an  
6 -- a very, very much of a concern to the panel in  
7 dealing with NFAT. And we're here a year later -- I'm  
8 not going to talk for myself but I'm going to throw out  
9 a question. How does the panel feel about the efforts  
10 that have been made after this very serious  
11 consideration had been raised? Does the panel feel  
12 that the effort has been made on the part of the  
13 Applicant to make you feel as though there's been  
14 something other than lip service done to that very  
15 serious concern? The questions directed to Hydro, for  
16 the most part, in regards to the suggestions made were,  
17 Well, they're not in our hands. They're with the  
18 government. And by that, it seems to absolve them of  
19 any interest in having to find a way of dealing with  
20 your concerns. That's not an answer. No one would  
21 take that as an answer to say, I have a serious concern  
22 about something. And you come back a year later and  
23 say: Well, I haven't really done the effort required.  
24 But I want you to ignore your concern, and now I want  
25 you to deal with what I want. Let's not deal with what

1 you wanted. Let's deal with what I want.

2                   You're going to hear evidence from MIPUG  
3 and from Mr. Williams's clients regarding the  
4 justification of the rate increase coming in  
5 immediately. And I won't steal their thunder on that,  
6 but there's a number of considerations that, with all  
7 due respect, have not been answered properly. The --  
8 the evidence just is not there. What we have is a  
9 great deal of supposition.

10                   And what we have in terms of -- of  
11 mitigation and measures that might be taken or  
12 assumptions that might be taken that would reduce the  
13 need are glossed over. And with respect, that's not  
14 satisfactory. You can't come in asking for an  
15 immediate effect of high rates and base them upon  
16 hypotheticals that may or may not come, but -- or that  
17 there may be explanations that have as much weight and  
18 validity.

19                   I would submit that -- that what's been  
20 put before you falls short of that, and that part of  
21 our asking for this to -- to wait another two (2) years  
22 before they come in is so that that evidence can be  
23 firmed up and that my clients and the rest of the --  
24 the residents of Manitoba can say, Yes, all options  
25 were very carefully thought out and examined. Not just

1 the ones that have been brought forward by Manitoba,  
2 but the -- there's a purpose for being Intervenors.

3 Intervenors bring in other parts of the  
4 puzzle that might not be there or parts of the  
5 equation. You have them now. Do they merit another  
6 look? Do they merit some consideration? Do they merit  
7 a deferral until you can have stronger evidence before  
8 you?

9

10 (BRIEF PAUSE)

11

12 MR. GEORGE ORLE: I had asked a  
13 undertaking from Manitoba Hydro based upon this rate  
14 shock slide number 41 where they talk about going from  
15 2 percent for the next four (4) years, and then it  
16 jumps right up to 8 percent and 6 percent, depending on  
17 which one (1) you used. And I asked the question of,  
18 What would it require to go at the 2 percent and then  
19 to mitigate that 8 percent and 6 percent hike?

20 And the answer was provided in Manitoba  
21 Hydro Exhibit number 43. In order to leave rates at 2  
22 percent from 2016 to 2019, and at 4 percent thereafter,  
23 requires the province to leave on the table or to remit  
24 back to Hydro 220 million per year for the five (5)  
25 years. In order to leave the rates at 2.9 percent and

1 then to drop to 4 percent, the province needs to leave  
2 115 million per year for those five (5) years.

3 I asked that question in the context of  
4 the capital tax and the water rental fees. But it had  
5 an additional benefit to it in that I believe we have a  
6 quantified number. And whether that number comes from  
7 water rental rates or from the capital tax, or if it  
8 comes from some combination of savings and additional  
9 revenue from some other source, you still now have the  
10 numbers that you need to be -- able to make an  
11 evaluation. And that's going to be covered a lot more  
12 in Mr. Williams's presentation and in Mr. Hacault's  
13 presentation, because they did the diving for dollars  
14 which I spoke about all -- earlier.

15 And they talked about the savings that  
16 could be brought to bear from changes in depreciation,  
17 changes in -- in the order of capital projects, changes  
18 in the order of operating and maintenance costs.  
19 There's -- there's numbers there. They're going to  
20 find those numbers and they're going to explain to you  
21 why they feel that they are appropriate numbers to use.  
22 All I've done is I've created the number that they have  
23 to look for, thanks to the undertaking given by  
24 Manitoba Hydro, where they've given us a number. If  
25 you want to keep them at 2 percent and then up to 4

1 percent, here's what you need to find. And it doesn't  
2 affect anything else on the -- on the income and  
3 expense sheets.

4                   What it does do is that it leads to the  
5 year 2034 for Hydro to come back to the ratio that  
6 they're looking for. So we have a number. Has Hydro  
7 done a good enough job of convincing you that there  
8 isn't that amount of money available there, just in  
9 their own operations? But take that away. What if the  
10 government, the province took on the same risk that the  
11 ratepayers are taking? Not risk, obligation.

12                   The province benefits. The ben --  
13 province benefits to a high level from Manitoba Hydro  
14 and the ratepayers. The ratepayers pay through their  
15 rates, the water rental. They pay through their rates,  
16 the capital tax. They pay through their rates, the  
17 surcharge on the -- on the loan interest. That's all  
18 there. Why should the ratepayers say that we're the  
19 only ones that take the obligation on for paying these  
20 to our rates? At some point, there has to be someone  
21 else coming to the table.

22                   And that may be the government, it may  
23 not be, but it's important that nobody's asked the  
24 question. Nobody's come before you and said, No, the  
25 government will not do that. You have from -- the

1 letter from the Minister saying, Yes, we're going to  
2 implement these. Nobody's thought to ask, When?  
3 Nobody's thought to ask, How soon can you bring it in?  
4 No one's thought to ask -- and I'm -- I'm talking from  
5 Hydro, because they're the ones that need to put these  
6 together.

7                   Have you anywhere within that continuum  
8 of rate increases said, Can the province help us out at  
9 this point? And it's not as though it's a novel  
10 question. You saw from the excerpts from Board Order  
11 7/'03 that there is precedent for it.

12                   For a twelve (12) year period of time,  
13 the province capped its water rental fees. Now, you --  
14 you may say, well, how -- how do we know what the  
15 effect of that is? Well, you have it, because in your  
16 own order, you calculated it. The year that they  
17 dropped the moratorium on raising the water rates, the  
18 rates went from \$50 million to \$107 million. That's  
19 what the moratorium accomplished, \$50 million that  
20 immediately came into the province as coffers when they  
21 removed that -- that moratorium.

22                   This is even a more necessary time to be  
23 discussing, but not -- no one even raises it. Can we  
24 get another moratorium for twelve (12) years as was  
25 done at that time?

1 (BRIEF PAUSE)

2

3 MR. GEORGE ORLE: The next part of my  
4 presentation was in regards to Manitoba Hydro would be  
5 directed over the next two (2) years to initiate and  
6 implement a full set of DSM programs for MKO First  
7 Nation reserves that provide a comparable saving over a  
8 similar time frame to conversion.

9 That's where I dwelt on the word  
10 'comparable' and what it actually means. Because the  
11 legislation says that my clients are entitled to a  
12 comparable program as being provided to other  
13 ratepayers. That's not to say they have to get the  
14 same thing. I can't come to you and say, Drive a gas  
15 pipeline up to the North so that it can get it. But I  
16 can say to you that, You're mandated by -- by  
17 legislation to provide a comparable. Comparable means  
18 equivalent to.

19 And that's why we want to have a full  
20 set of DSM measures that are specifically tailored to  
21 First Nations that would give them that level of  
22 benefit. Now, we're not going to throw out what those  
23 are. We're not the experts in that. But certainly, we  
24 should be involved. And by -- and 'we', I mean MKO,  
25 involved in that program. We should be involved in the

1 development of that program.

2           As Mr. Dunsky said in our -- in our  
3 previous hearings at the NFAT, it's important to have  
4 the different classes of ratepayers represented in the  
5 building of these programs.

6           Question that I asked of -- of Mr. Scott  
7 when he was -- sorry, Mr. Thomson when he was before  
8 the Board is: What involvement has MKO had or been  
9 invited to have in the development of new programs?  
10 MKO has not been approached. Well, that's -- that's  
11 not appropriate. It's not reasonable, and it's not  
12 fair.

13           And that's part of why we're also asking  
14 that you defer for two (2) years so that these plans  
15 can come in, be there, be judged by the panel as to  
16 whether they are sufficient and whether they are  
17 comparable.

18           And then put on this extreme increase in  
19 rates when there's some mechanism in place to be able  
20 to deal with it, not to just -- in effect, putting  
21 these rates on right now without those DSM programs in  
22 place is throwing somebody an anchor as opposed to a  
23 lifesaver. That's all it is.

24           We expect that you're going to mitigate  
25 these huge rates because we're going to have programs

1 in place. We've already heard from My Friend from the  
2 Manitoba Metis Federation. These programs aren't  
3 effective. They don't target the right people. They  
4 don't target them with the right programs.

5           Offering somebody an electric furnace to  
6 mitigate under your Affordable Energy Plan does nothing  
7 when they've already got an electric furnace -- or, I'm  
8 sorry, have an electric furnace to be replaced with a  
9 gas furnace because they can't get that. That's a  
10 major component of it.

11           When Mr. Kuczek was questioned, his  
12 panel, on whether or not there was a DSM program that  
13 had a comparable level of saving to the fuel-switching,  
14 he was forthright about it. No, there is no program  
15 that can provide that same level of relief. Well, why  
16 not?

17           The next recommendation was that MKO  
18 First Nation accounts be set up as separate classes,  
19 and that in determining the rate in that class, that  
20 the panel have regard to reducing the rate by the  
21 mitigation costs that First Nations are paying right  
22 now.

23           They're paying a part of the cost that  
24 is paying back to them to mitigate their damages -- in  
25 effect, they're being asked to mitigate their own

1 damages -- and to remove the portion of the water  
2 rental and capital tax from their rate.

3           There's a reason, and it's not solely  
4 geographic, that they can be considered a class of  
5 their own. They're a distinct group of people living  
6 in a defined area of the province. They're  
7 identifiable. They're all-electric users. They all  
8 have no access to -- to gas.

9           They are not the same as other  
10 ratepayers in that they are covered by federal  
11 legislation in terms of benefits available to them.  
12 They do not get the benefit that other ratepayers get  
13 from the province providing services as a result of  
14 rates or profits coming from rates.

15           Water rental costs and capital tax are  
16 both taxes. No one has ever said that water rental is  
17 anything other than a -- a tax gussied up in language  
18 that looks as though it's a -- it's a use of water.  
19 It's a tax.

20           And this is a tax that is being paid by  
21 First Nations members for a service and goods that they  
22 reserve -- they receive on reserve. They are not  
23 subject to tax. If someone came along and -- and put a  
24 tax on their consumption, they would not be obligated  
25 to pay it.

1                   This is something that's recognized in  
2 the province and in all other areas. Tobacco taxes are  
3 rebated because First Nations are not obligated to pay  
4 tobacco taxes on tobacco used on the reserve. The  
5 Province of Manitoba rebates the full amount of tobacco  
6 taxes to each First Nation each year.

7                   There's no reason why the Board cannot  
8 take that into account in determining what is an  
9 appropriate rate to be charged to First Nations in each  
10 one of the separate classes that they have. And we're  
11 -- we're suggesting that there be a separate  
12 residential class, separate general class, all of the  
13 classes that they have, and we're -- we're suggesting  
14 that there be a separate residential class, separate  
15 general class, all of the classes that they now have to  
16 be designated as First Nations residential, First  
17 Nations general, and that that be a separate class.  
18 And then the Board determines what the appropriate rate  
19 ought to be for that particular group.

20                   The next recommendation is that a low-  
21 income program be implemented that targets low-income  
22 First Nation ratepayers. And again, we're -- we're not  
23 going to suggest anything in particular. Mr. Colton's  
24 evidence, I would submit, was very compelling that this  
25 is a way of being able to assist, that it's within your

1 jurisdiction, and it's something that ought to be done  
2 in conjunction with -- with consultation with all the  
3 affected ratepayers.

4                   And that takes time. And again, I -- I  
5 echo the words of My Learned Friend for the MMF, we  
6 want to be involved. We want to make sure that we're  
7 involved in an appropriate way. And we want the  
8 recommendations to come out after there's been the  
9 consultation, not to come here now and say to the  
10 Board, Make this as part of the -- the program.

11                   But we specifically want there to be a  
12 component for low-income First Nations, because their  
13 needs are somewhat different than low income from  
14 others. And that has to be tailored in, and that's why  
15 MKO has to be part of the process, the consultative  
16 process, because there may be factors that change  
17 somebody from a low income if we only use a standard  
18 that won't apply to First Nations. But that's got to  
19 be brought in, and it's got to be part of the  
20 consultative process.

21                   And there's another reason why the --  
22 the rates should not be brought in until these  
23 underlying factors, these -- these pillars that we have  
24 to put in there to maintain the stability of our  
25 system, get those pillars in first. Then throw on the

1 rates. Put the weight on the system when you've built  
2 up a proper foundation.

3                   We don't have that foundation. We don't  
4 have the foundation of DSM. We don't have a foundation  
5 of low-income protection. They're all there somewhere  
6 in the -- in the making, but the load's going to come  
7 now, before we've got that foundation to be able to  
8 support it.

9

10   (BRIEF PAUSE)

11

12                   MR. GEORGE ORLE: The other  
13 recommendation is to set up a program to alleviate  
14 current arrears. Those arrears have been shown to be  
15 long-standing. The ninety (90) day ones are -- are  
16 excessive. The comparison was made. First Nations  
17 arrears on a month-to-month basis run from 17 percent  
18 to 24 percent, depending on the month. That's the rate  
19 of ninety (90) day and over arrears, 17 to 24 percent  
20 in any given month.

21                   Compare that to Winnipeg. Winnipeg has  
22 a 1.66 percent to 2 percent ninety (90) day and over.  
23 That's not just a measure of a couple of percentage  
24 points. That's critical. That's a critical component.  
25 And to say that you can ignore it for a part of your

1 community that has this -- this weight of arrears and  
2 not take some steps to deal with them, and -- and  
3 something other than an auto dialler calling you if you  
4 can't pay your bill, or having the Salvation Army help  
5 you out, that's not sufficient.

6           Mr. Colton talked about plans, plans  
7 that made sense. Extended time for payment where the  
8 amount of the payment is brought down to a level where  
9 you can both your current and your past in a way that  
10 is still affordable. You need to have that in. You  
11 need to have a waiver of interest and penalties. You -  
12 - you don't put interest and penalties on people that  
13 can't pay.

14           Those that deliberately don't pay and  
15 have the resources to do it, yes. They ought to be  
16 dealt with. But it's not collection if you're trying  
17 to collect from someone who has no money, and no  
18 ability. And it's no answer to say that we'll put into  
19 place plans that have no reality, have no way of them  
20 being able to deal with it. And we would recommend  
21 that there -- there actually be a review as to whether  
22 or not, as a start of this new bright future energy  
23 plans, that maybe Manitoba Hydro ought to be looking at  
24 writing off some of these.

25           Let's start from a -- a square one. A

1 new relationship with the -- the MKO residents, that  
2 maybe instead of sending people out there to disconnect  
3 you, we're going to send out financial advisors that  
4 are going to help you work out plans to get these  
5 things paid. One (1) of the items set out in Mr.  
6 Colton's direct evidence, GAC Exhibit 3, was that in  
7 the ten (10) months from March through December 2014,  
8 Manitoba Hydro issued 16 percent more notices of  
9 disconnection than it did in the equivalent period in  
10 2013. You want to know directions -- what direction  
11 things are going in? Look at these. These are the  
12 manifestations of what's happening with the rates now.  
13 And he was asked, What direction do you see this going  
14 if the 4 percent or the three point nine (3.9) is  
15 brought in? And his answer was, It's going to go in  
16 the same direction, but faster.

17                   And lastly, and I -- and I mention this  
18 knowing full well the direction that was given by the  
19 Board in terms of raising these issues. And I don't  
20 raise it as a -- a matter other than there is a  
21 separate meter system set up. There's been an ability  
22 to put it into place for Hydro employees. There's been  
23 a methodology that's been prepared that marks what the  
24 equivalent amount of rate should be for those working  
25 up north, and there is a billing system in place to

1 deal with it.

2                   So if you've already got that, why would  
3 you not consider it as one (1) of the tools that you  
4 may be able to use, whether it's on a short-term basis  
5 or a long-term basis? You don't have to build  
6 something brand new. You've got it there. All you  
7 have to do is say, We're going to make it available to  
8 others within the community. And that, members of the  
9 panel, is -- is my submission. It took a little bit  
10 longer than I thought, but I didn't think I'd get this  
11 fired up about it. And I will leave to Mr. Williams to  
12 fill in the gaps on where I might need to be supported  
13 on some of these recommendations. Thank you very much.

14                   THE CHAIRPERSON: Thank you, Mr. Orle.  
15 We have no questions. It's been very -- it's a very  
16 clear presentation.

17                   I'm looking at the clock. I think we  
18 should probably take a short break before we start with  
19 Mr. Williams. Thank you very much.

20

21 --- Upon recessing at 2:58 p.m.

22 --- Upon resuming at 3:11 p.m.

23

24                   THE CHAIRPERSON: I believe that we can  
25 resume the proceedings. So, Mr. Williams, if you're

1 ready to go, so are we. And by the way, we are  
2 prepared to sit longer today, so in the interests of  
3 trying to make as effective use as possible of the --  
4 of the time, fire away.

5

6 CLOSING SUBMISSIONS BY THE CONSUMER COALITION:

7 MR. BYRON WILLIAMS: Thank you. I'm --  
8 just as you're aware, Ms. Desorcy was here earlier and  
9 -- and she expects to be back a bit later. Mr. Benham  
10 sends his regrets. He perhaps felt he spent -- spent a  
11 bit too much time with me yesterday, and perhaps was  
12 overexposed.

13 I should introduce or reintroduce in the  
14 back row to the panel's right, Ms. Rachel Wood, move --  
15 going into second year at Robson Hall and a -- a  
16 researcher for the summer at the Public Interest Law  
17 Centre, courtesy of the Legal Research Institute. And  
18 to her left is Mr. Jared Wheeler, also going into third  
19 year at Robson Hall, recently honoured as the head of  
20 the Aboriginal Law Students' Association, and perhaps a  
21 lesser honour, we just hired him to be our articling  
22 student for next year. So we say hi to him as well.

23 Mr. Chair, we've -- and members of the  
24 panel. Good afternoon. We've divided our argument  
25 into almost nine (9) different sections. The three (3)

1 -- the first three (3) are the longest, I assure you.  
2 But just to let you know in terms of the order that  
3 we're going to be walking through, we are going to  
4 start with the message or the -- the signal that our  
5 client is seeking from your rate order.

6           We are going to go back to a little bit  
7 of history in terms of some of the dialogue that's gone  
8 on between this Board and Manitoba Hydro over the last  
9 few years, because we think it's very appropriate and  
10 relevant for today.

11           And then we're going to spend a fair bit  
12 of time on sustainable capital. And I know the Board's  
13 got a lot of vigour and enthusiasm right now for the --  
14 at that point in time I think I'll be checking with the  
15 Board to see -- see if you're still feeling vigorous  
16 and enthusiastic or not and that -- I'll obviously be  
17 at your pleasure for as long as you would like to hear  
18 me today.

19           The sections that will move more quickly  
20 relate to interest forecasting, which will be Part 4,  
21 depreciation, we'll spend a bit of time on the  
22 affordable energy program and bill assistance, and --  
23 and some alternative cost reduction approaches our  
24 client will be recommending.

25           Near the end we're going to address two

1 (2) legal questions: one (1) relating to the  
2 jurisdiction of the Board in terms of bill assistance.  
3 I -- I certainly enj -- enjoyed the forceful certitude  
4 that My Friend Mr. Gange presented earlier today. I'm  
5 not sure I'll be quite as robust as he is on that  
6 point.

7                   We also wanted to raise a -- a  
8 jurisdictional question related to another issues,  
9 which is the setting aside of rates from today's  
10 ratepayers for further -- for further costs. And  
11 that's an important issue that -- that we know the  
12 Board is thinking about, and certainly we'll do that.

13                   And then towards the end our client does  
14 have a -- a fairly significant number of process  
15 recommendations that we'd be happy to share with the  
16 Board when -- at the appropriate time.

17                   Just going to -- Diana, to slide 3,  
18 titled 'Headwinds'. And I do want to start, and I  
19 don't always do this, with a thank you and certainly to  
20 my colleagues and -- and the witnesses from Hydro, but  
21 our client has asked me to say a -- a special thank you  
22 to the -- to the Public Utilities Board. In this  
23 closing submission, perhaps more than others, you may  
24 sense as I try and express some of my client's  
25 frustration and perhaps fatigue, I want to assure you

1 that our client's faith in the institution of the  
2 Public Utilities Board and its members remain strong.

3 But perhaps their frustration will --  
4 will be shared a little bit as we -- as we go along.  
5 Our client did ask me to single out the three (3)  
6 Intervenor witnesses. It was a lonely job this year,  
7 and -- but we certainly saw value from all three (3).

8 Mr. -- Mr. Colton brought an important  
9 message of what we call inclusiveness, energy  
10 inclusiveness. Our client may or may not endorse all  
11 he has to say, but it was an important perspective from  
12 a -- really, a legend in -- in the field. And the  
13 Green Action Centre should be applauded for presenting  
14 that witness.

15 Ms. Lee, our clients get a real kick out  
16 of her folksy Florida common-sense approach to  
17 depreciation. And our client did want to thank Mr.  
18 Bowman as well. They certainly felt he brought an  
19 important history lesson in terms of how we got here,  
20 some -- some suggestions for managing the headwinds  
21 that we face in the -- in the next few years in the  
22 context of both the strengths and opportunities for the  
23 Corporation, and also appreciated the call for calm.

24 Moving to the next page, Diana, I have  
25 to say that while Mr. Bowman on -- on Monday was

1 calling for calm, our -- our clients weren't feeling  
2 that calm. Mr. Hacault, at the start of Monday, talked  
3 about feeling like David and Goliath. And -- and  
4 certainly we've heard in exhaustive detail the same  
5 message carefully massaged from all Hyd -- five (5)  
6 Hydro -- Hydro panels. They've done a nice job of  
7 getting their narrative across.

8                   But as our client sat in the room on --  
9 on Monday and -- right in the morning and heard some of  
10 the enthusiasm that they -- they thought Mr. Rainkie  
11 was showing for a 5 percent solution, certainly there's  
12 a frustration my client experiences -- or has asked me  
13 to express, not a David and Goliath thing, but more a  
14 Don Quixote thing. A -- a sense of tilting at  
15 windmills and -- and a concern that the efforts of  
16 consumers and the Public Utility -- Utility Board over  
17 the last decade has perhaps been in vain in terms of  
18 protecting ratepayers, and a concern echoing that of  
19 Mr. Orle, that the promise of the NFAT new start, the  
20 NFAT compromise as we call it, has been undermined. So  
21 that's -- that is a concern of our clients. Our client  
22 does not like the direction that they -- that they  
23 sense.

24                   Going to the next page --

25                   THE CHAIRPERSON:    If that...

1 (BRIEF PAUSE)

2

3 THE CHAIRPERSON: By the term, NFAT  
4 compromise, could you elaborate --

5 MR. BYRON WILLIAMS: I'm going to come  
6 to it in just a page, Mr. -- Mr. Chair, and it's --  
7 it's meant in a positive way, not a...

8

9 (BRIEF PAUSE)

10

11 MR. BYRON WILLIAMS: The headline on  
12 this page is, This is not a narrative of prudence. And  
13 Manitoba Hydro's consistent message right from the  
14 first teeter-totter, first day of the hearing, has --  
15 has been that their approach has been fair and  
16 balanced.

17 And from our client's perspective,  
18 implicit in the insertion of fairness is a claim of  
19 prudence, a suggestion that the costs we face today and  
20 in the future were incurred in a reasonable and prudent  
21 manner. And from our client's perspective, that is not  
22 a narrative that they subscribe to.

23 Their narrative in terms of the costs we  
24 face today and in the future is a story of questionable  
25 choices made despite good advice. And the question our

1 client raises is if we accept the Hydro 3.95 percent  
2 solution, or perhaps Mr. Rainkie's new 5 percent  
3 solution, have we acquiesced? Have we authored a blank  
4 cheque for future questionable expenditures?

5

6 (BRIEF PAUSE)

7

8 MR. BYRON WILLIAMS: Turning to the  
9 next page, Diana? Mr. Bowman made the point on Monday  
10 for those who have been in the -- the hearing room for  
11 a long time that in some ways we've actually come a  
12 long way since 2004/'05 coming out of the double whammy  
13 of a big drought and -- and some -- some dividends.  
14 That we've made significant progress in terms of  
15 Manitoba Hydro's equity levels.

16 And that to a significant degree some of  
17 it was through export revenues, and good volumes. But  
18 a lot of it came from the -- the ratepayer. And the  
19 Manitoba Public Utilities Board expressly recognized  
20 that in its Decision 5/'12.

21 And that contribution from the ratepayer  
22 was meant as a buttress to mitigate the pending  
23 pressures from major capital expansion. Our client's  
24 message here is that the Public Utilities Board and  
25 Manitoba consumers and external experts have been

1 warning Manitoba Hydro for a long time. They've been  
2 warning them that their capital costs were  
3 underestimated. That their export revenues were  
4 overestimated.

5                   That their capital plans were too  
6 ambitious. That their day-to-day capital expenditures  
7 needed to be brought under more rigorous scrutiny.  
8 Hydro has been warned for over a decade that their  
9 overall OM&A, including construction, needed to be  
10 reined in. And there's been a consistent message from  
11 certain Intervenors that Hydro was missing the bus on  
12 DSM, the opportunity to mitigate load growth, capital  
13 costs, and bill impacts.

14                   And Hydro has been warned for a long  
15 time that ratepayers, including the vulnerable  
16 ratepayers that you've heard MKO and the MMF speak  
17 about so eloquently today, were going to pay the price.  
18 That's our client's narrative.

19                   At the same time these warnings were  
20 being presented, there was a different message from  
21 Manitoba Hydro. It could be managed. These risks  
22 could be managed. In 2010 through 2012 we were told  
23 about the decade of investment and the decade of  
24 returns. A bit of a -- above inflation for a decade,  
25 and then the new Jerusalem in the -- in the 2020s.

1 Those -- that discussion is detailed in the Board Order  
2 5/'12.

3                   In IFF2013, going into the NFAT, we got  
4 a relatively sunny view of export prices. And in the  
5 NFAT, our clients and this Board were told, Bipole III  
6 would cost \$3.2 billion. The pipeline growth was --  
7 was the driver of the need for Keeyask early in the  
8 2020s, and that Manitoba Hydro could manage 3.95  
9 percent even with Conawapa. A reasonable person would  
10 -- would assume, Well, if Conawapa's not there, maybe  
11 we can mitigate some rate pressures.

12                   And so, Mr. Chair, you asked about the  
13 NFAT compromise. Perhaps I used the wrong words  
14 because we did want to talk about the promise of the  
15 NFAT. Now, our client did not support approval of  
16 Keeyask at that point in time. But when our client  
17 read this panel's decision, our client concluded it was  
18 thoughtful, reasonable, and well intended.

19                   The compromise in a way is stop Conawapa  
20 for the time being, modernize our resource planning,  
21 our DSM programming, and look for ways to mitigate rate  
22 impacts. Professor Grant was very keen on looking at  
23 the financial targets. The -- the panel was -- had a  
24 lot of innovative ideas.

25                   So the NFAT compromise which our client

1   applauds was focussed on consumer protection.  And  
2   that's, Mr. Chair, what our client meant by that  
3   language.

4                   But now the tune has changed.  Bipole  
5   III is \$4.65 billion.  Manitoba Hydro is an export  
6   revenue pessimist now, and now pipeline growth -- load  
7   growth is roughly half now of the NFAT claim.

8                   And at least from my dispassionate eyes,  
9   the 5 percent rate increase sounded like it -- looked  
10  like it was sounding pretty good to Mr. Rainkie on  
11  Monday.  He didn't seem so enthused about managing at  
12  3.95 percent.

13                   So that's our client's concern, that the  
14  promise of the NFAT has rapidly evaporated.

15                   So our message to this Board is, in your  
16  rates, in your rate signal, is do not enable Hydro.  
17  There are very capable employees at Manitoba Hydro.  We  
18  saw how well they managed their message in the course  
19  of this hearing.  There are innovative, skilled  
20  employees there.  But they listen best when they are  
21  given a rate signal, not a rate reward.

22                   We remind the Board that we're in a  
23  better financial pedi -- position today than envisioned  
24  in IFF11-2 at the time we went into the last general  
25  rate application, and that, notwithstanding the adverse

1 information related to Bipole III, that Manitoba Hydro  
2 has significant market and financial strengths.

3                   And in our client's view, Manitoba Hydro  
4 has not demonstrated creative management in a cost-  
5 effective way through the headwinds that we knew were  
6 coming, that we've always known were coming.

7                   Our client says, Do not enable Manitoba  
8 Hydro because many of the rate pressures that we are  
9 facing were self-inflicted by Manitoba Hydro by making  
10 questionable choices in the face of good advice.

11                   Next page, Diana, please.

12                   So from our client's perspective, this  
13 is the year to send the signal. It's the year to send  
14 the signal that Manitoba Hydro has brought many of  
15 these pressures onto ratepayers through its choices,  
16 and that it has to do better.

17                   So I got a little fired up there. I  
18 want to come back to the call for calm, Mr. Bowman's  
19 call for calm. We are asking for a -- a rate signal in  
20 this application, asking you not to grant Manitoba  
21 Hydro 3.95 percent.

22                   We're not saying 3 -- no 3.95 percent  
23 forever, but we're pointing out that Hydro is a  
24 corporation in transition. It's still learning about  
25 integrated resource planning. We saw that in the NFAT.

1 The DSM Program is in a state of flux and I think  
2 that's concerning to every organ -- every organization  
3 in this room.

4                   We have a slightly different  
5 interpretation of the Affordable Energy Program than  
6 our friends from the MKO and the MMF. And I want to be  
7 clear here. Our client in 2013, the Board heard us and  
8 was very concerned about the pace of the Affordable  
9 Energy Program. And our client is definitely not  
10 satisfied with its pace. I want to be clear here.

11                   But our client does feel that there has  
12 been progress from 2013 to 2015, and Mr. Dunsky's  
13 report found at MKO/Coalition/MH-I-9 affirms that. So  
14 if we were going to give Manitoba Hydro an 'E' in 2013,  
15 perhaps we're up to a 'C' now. The Affordable Energy  
16 Program is just starting to take some faltering steps  
17 forward.

18                   Hydro is a corporation in transition as  
19 well and we'll go through sustaining capital  
20 expenditures on our -- in -- in considerable detail.  
21 But in our view it has not demonstrated the  
22 sophisticated sustaining capital planning process found  
23 in other jurisdictions and that this Board has call --  
24 been calling for, if we look through -- through the --  
25 some of the old Board orders, perhaps back as long as

1 2004.

2                   Next page please. So we've heard about  
3 some commitments to manage operating costs increase on  
4 the OM&A on the operational side, but our client is not  
5 satisfied in terms of the evidence of OM&A expenditure  
6 control on the capital side of the Corporation. They  
7 note the staff reductions to date appear focused on the  
8 operational positions and that there are to their  
9 knowledge no similar targets or staff level -- level  
10 containment on the other side.

11                   And this -- if we go to the next slide,  
12 Appendix 5.5 makes this evident. And this was gone  
13 through in cross-examination with the Board in terms of  
14 the -- the blue representing the capital construction.  
15 And obviously at a time when Hydro is ramping up we  
16 expect some growth. What we're going to be calling for  
17 a bit later is -- is a plan for coming into the next  
18 general rate application in terms of operational  
19 controls on the capital side though. And I'll talk  
20 about that a bit later.

21                   Going to the next slide, two (2) other  
22 concerns from our client are what our client believes  
23 and believes it has demonstrated is a consistent  
24 overestimation or overstatement of interest rate costs  
25 and admitted challenges in export price estimates. And

1 I had a very interesting discussion with Mr. Page that  
2 I'll bring to your attention a bit later. It was on  
3 the June 4th financial panel. And Mr. Page was  
4 acknowledging that a correction on the interest rate  
5 side was perhaps long overdue.

6 But then he -- to -- to almost defend  
7 his position he said, but we're -- we're tending to be  
8 high in terms of our -- our export revenue or our  
9 export price projections as well. And I'm not sure if  
10 he meant to reassure me with -- with the fact that --  
11 that his view was that they were tending to be high  
12 with their export price projections given that we just  
13 went through an NFAT premised on opportunities in the  
14 export market. That was hardly of comfort to our  
15 client.

16 So there's some work to do with this  
17 Corporation from our client's perspective in terms of  
18 cost control, in terms of rate mitigation, in terms of  
19 forecasting to -- to get back on track. And we think  
20 there's some opportunities over the next year or so to  
21 send a message to assist Hydro in -- in doing better.

22 So recommendation 1 from our client is  
23 that the Manitoba Public Utilities Board set out a road  
24 map of expectations for Manitoba Hydro for over the  
25 next year. If Hydro wants their 3.95 percent or

1 whatever in 2016/'17, let them earn it. Ask them to  
2 demonstrate good choices in the face of good advice and  
3 demonstrate that they're facing the necessary financial  
4 and economic circumstances both in the test year and  
5 over the longer term that would justify a rate increase  
6 of that magnitude.

7                   Our client is pre -- prepared to --  
8 begrudgingly to a certain degree, approve a two point  
9 seven-five (2.75) -- recommend that the Board approve a  
10 two point seven-five (2.75) for the interim, for  
11 2014/'15, and would recommend a -- a rate in the range  
12 of 2.5 percent for '15/'16. They do, in making that  
13 recommendation, recognize that rate approval may not be  
14 given to -- until July 1st, or August 1st, which has  
15 material implications in terms of the -- a month  
16 costing in the range of \$4 million.

17                   Before we leave this section, Mr.  
18 Chairman and members of the panel, on June 3rd, I  
19 wasn't in the hearing room, but My -- My Friend Ms. Mag  
20 -- Ms. Menzies was, and she was quite taken by a  
21 conversation that -- that the Chairperson had with Mr.  
22 Rainkie. And -- and the Chairperson was expressing  
23 some concerns about borrowing for a period of eight (8)  
24 years to cover interest.

25                   And -- and both Ms. Menzies and my

1 client in -- were having -- insisted that I -- I jump  
2 into that dialogue. So here's our client's response on  
3 the next page, being page 19, to that discussion.

4

5

(BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: Our client honours  
8 the concern of the panel. And I think we're -- we're  
9 all concerned in terms of we're looking at Bipole III  
10 coming online in '18/'19. And there's not a line of  
11 revenue associated and -- and that is a concern for --  
12 for all of us.

13 So the -- the question from the  
14 Chairperson, as we understand it, is about the prudence  
15 of -- of borrowing on a credit card for eight (8)  
16 years. It's an important question, but as the  
17 Chairperson suggested, it is not a -- a choice we have  
18 to make today. And that's why we think this is a  
19 signal year.

20 But if we were deliberating about that  
21 choice, and -- and our client has at great length, the  
22 first issue our client would have is, are their numbers  
23 right? It would important to know, if I was borrowing  
24 to pay interest, four (4) things: Have I carefully  
25 reviewed my budget? Is this truly what the future

1 necessari -- sarily holds for me? And we would add, is  
2 this a -- a company with a record of forecasting over  
3 the short-term that we -- we have a lot of confidence  
4 in?

5                   Question 2: Are there uncertainties in  
6 my budget that with the breathing room I have, can be  
7 firmed up before I consign myself to austerity?

8                   Question 3: What is my alternative?  
9 What's the cost of -- does it mean not having a drink  
10 at the local bar, or does it mean not putting food on  
11 my -- on the table for my family?

12                   And question 4, which we think is a very  
13 important question: Is this a -- is this a eight (8)  
14 year situation, or is it a situation that gets worse  
15 and worse? If there is no light at the end of the  
16 tunnel, then borrowing digs a hole that you can't get  
17 our of. However, if -- if there are good prospects for  
18 the future, then you might consider such borrowing.

19                   And if we can go to the next page,  
20 because when our client looks at that, in -- in terms  
21 of the issue of looking at the budget, our client will  
22 be arguing that there are a number of places in that  
23 budget where there appears to be some cushions for  
24 Manitoba Hydro. Those include interest rate forecasts  
25 and modern -- and -- and in terms of sustainable

1 capital planning investments.

2                   So before we're asking our family to go  
3 austere, we think those issues need to be revisited.  
4 In terms of clarifying the future, we do think that  
5 we'll have a better handle on interest rate forecasts,  
6 DSM needs and plans, and improved capital plan --  
7 planning and prioritization in -- in the next immediate  
8 year or two (2).

9                   In terms of the third issue, and  
10 certainly Mr. Rainkie and the Chairperson had that  
11 discussion on Monday, from Hydro's perspective, going  
12 to 5 percent sounds like a pretty good deal. But  
13 increasing rates today to avoid having to borrow to --  
14 to pay interest, those costs are not free. They impose  
15 real impacts on consumers today, particularly low-  
16 income consumers.

17                   And certainly with respect to item four  
18 (4), Is there light at the end of the tunn -- tunnel,  
19 there better be. We -- we made a judgment coming out  
20 of the NFAT that that transmission line to the United  
21 States, that the pre-building of Keeyask, were prudent  
22 fiscal investments. Hydro was pretty optimistic last  
23 year.

24                   There does appear to be light at the end  
25 of the tunnel, presumably after Keeyask is operating

1 and export revenues increase.

2                   Just to finish on this point, Mr. Chair  
3 and members of the panel, our client is not sure they  
4 necessarily accepted your analogy of borrowing on a  
5 credit card. We usually use Visa, or I hope we do, to  
6 pay for consumable goods.

7                   The analogy we prefer to draw was a  
8 homeowner mortgaging a home in order to do major work  
9 required on the roof to make sure of the  
10 sustainability, the viability of the system. That  
11 would be akin to the Bipole III investment. Manitoba  
12 Hydro has told us that is about reliability.

13                   And then the homeowner making the  
14 decision akin to the Keeyask decision, that while he  
15 might not need to expand the house for ten (10) years  
16 for his family, it makes sense from a business  
17 perspective to undertake that second major project,  
18 home renovations, to get rents from a -- a renter so  
19 that he'll have -- make more over the next ten (10)  
20 years to pay down the earlier construction and further  
21 mortgage.

22                   The analogy we draw is the -- is that --  
23 that homeowner having presumably -- prudently decided  
24 to proceed with both options, subsequently finding out  
25 that both will cost more than originally expected.

1 That's the dilemma we find ourselves in today.

2                   And our client would say that a savvy  
3 homeowner, the first thing that they would do is  
4 reassess that original decision to do both at the same  
5 time, to undertake that roof repair and undertake that  
6 expansion at the same time. And for our client, it's -  
7 - it's not clear that Manitoba Hydro has ever gone  
8 through that judgment call.

9                   And then we just finish out the analogy,  
10 perhaps tortured, in terms of the choices, in terms of  
11 the risks, in terms of accepting paying more now or --  
12 or paying more later. And -- and so that's -- that's  
13 just how our client is -- we have thought -- thought  
14 through it.

15                   So, Mr. Chairman, we thought it was a  
16 really important question. This is how we've worked  
17 our way through it. I'm not sure I expressed it as  
18 eloquently as I could have, but I -- I -- we think it's  
19 a -- a more appropriate analogy.

20                   I want to turn to slide 22, and then  
21 quickly to slide 23. And our client does want to deal  
22 with some of the challenges we face today, and come  
23 back to a theme that Manitoba Hydro, in -- in its  
24 submission, has not acted prudently, that it has made  
25 questionable choices in the face of good advice. And

1 we think this history is important because the issues  
2 that we face today, whether it's escalating capital  
3 costs, diminishing export revenues, challenges on our  
4 OM&A side, sustaining capital, have been with us for a  
5 considerable period of time. And the Manitoba Public  
6 Utilities Board has been offering good advice to  
7 Manitoba Hydro, which, in our client's respectful sub -  
8 - submission, has not been -- not been heard.

9                   From our client's perspective, this  
10 isn't a rewrite of history. We're pulling this panel -  
11 - this Board's advice in this Board's words.

12

13                   (BRIEF PAUSE)

14

15                   MR. BYRON WILLIAMS: And the warnings  
16 go way back to 2008. This is the Public Utilities  
17 Board saying, You're looking at spending a lot of money  
18 over the next fifteen (15) years, premised on what may  
19 or not be overly optimistic export prices -- at that  
20 early date, worrying about Hydro's forecasts in terms  
21 of export prices and the risks associated with building  
22 a lot with an uncertain export future.

23                   The Board is asking here in Board Order  
24 90/'08 whether that export revenue stream will be  
25 sufficient to cover the obligations that Manitoba Hydro

1 was incurring. So that's back in 2008.

2           Going to the next slide, the Board was  
3 warning as well, Careful what you're doing on the OMN -  
4 - OM&A side, on the capitalization side. There's a --  
5 a lot of OM&A costs forecast to be benchmarked, and the  
6 Board wasn't confident in the -- the magnitude of that  
7 expenditure. We'll come back to that in just a -- a  
8 slide or two (2).

9           And here's the Board in 2008 talking  
10 about capital expenditures, but actually going back to  
11 2004. The Board continues to be concerned with the  
12 progressive substantial growth in capital expenditures  
13 and accompanying debt.

14           The Board accepts that many of these  
15 capital expenditures are related to the reliability and  
16 safety -- perhaps going to Board member Kapitany's  
17 concern, how long have we been talking about this  
18 issue? And may be prudent to incur. And then it talks  
19 about the other purposes of these capital expenditures.

20           But the Board's point way back in 2008  
21 but actually going back to 2004, quoting from Board  
22 Order 143/'04, is that while individually, these  
23 products -- projects might have looked like  
24 individually a good plan, collectively, they were  
25 bringing substantial risks, and asking Manitoba Hydro

1 to bring some rationality, some coherence, some  
2 strategic guidance for capital expenditures, to look at  
3 all the projects together with the health and financial  
4 stability of the Company.

5                   That's the heart of our sustainable  
6 capital expenditure debate today dating way back to  
7 2004. And our client's submission is that Manitoba  
8 Hydro's not there yet, and that when we look at the  
9 sharp jump between the 470 million in 2013/'14 and the  
10 570 million in 2014/'15, that is not evidence of a  
11 carefully planned, carefully justified, modern,  
12 sustainable capital asset strategy.

13                   Going to slide -- the next slide,  
14 please, we note that the Board offered warnings,  
15 offered advice, but sought in some ways to protect  
16 Manitoba Hydro from itself. It gave it more than it  
17 was asking for.

18                   Hydro was looking for 2.9 percent. It  
19 got five (5), with the exception of area and roadway  
20 lighting. And certainly, that's not a -- that's not a  
21 -- a precedent we wish this Board to follow, but we  
22 know there's got to be a temptation to protect  
23 Manitobans and Hydro from Hydro's decisions. Our  
24 client is not very confident that that has worked out  
25 well in the past.

1                   Next slide, please. So that's 2008.  
2 This may sound reminiscent of the NFAT debate. The  
3 Public Utilities Board warning of the risks associated  
4 in spending significant amounts of money ahead of final  
5 regulatory approval, suggesting that it appears to  
6 represent speculation and that those in -- costs may  
7 well be written off analogous to our Conawapa situation  
8 and some of the pressures that ratepayers are paying  
9 today. Way back in 2011 comes the warning from the  
10 Board.

11                   Going to the next slide. Again, a  
12 concern with OM&A expenses, especially on the major  
13 capital expansion side. And -- and that is something  
14 that our client will be raising as we -- as we go along  
15 in our recommendations.

16                   Next slide, again. Here again is the  
17 danger of an OM&A write-off. We've talked about that,  
18 so I'll just reiterate this is the warning coming from  
19 the Board.

20                   Next slide, please. Here's an  
21 interesting one. This is the Board back in 2012 now,  
22 Board Order 5/'12, January of 2012, perhaps the longest  
23 Board ever -- order ever written. Warning about Bipole  
24 III cost estimates. There still remains doubt as  
25 whether the Bipole III budget, with its current cost

1 estimate of 3.2 billion will prove accurate, or whether  
2 the forecast costs will again increase to, say, 3.9  
3 billion, 4.1 billion, or even higher.

4                   So in a bit of -- with hindsight, a  
5 justified cynicism in terms of the proposed estimates  
6 of Manitoba Hydro, and a warning about this date of  
7 reckoning that we're all worried about in 2019. A 3.2  
8 billion Bipole III is going to cost more than a two  
9 point three (2.3). And a \$4 billion one is going to  
10 put some pressures on ratepayers in 2019. A similar  
11 warning with regard to Keeyask, although wouldn't we  
12 kill for a \$5.64 billion Keeyask project now?

13                   Next slide, please. The Board in 2012,  
14 warning about delays, the -- the lack of a defined  
15 approach to updating major capital project costs. And  
16 again, we can all recall Bipole III sitting at 3.2 bil  
17 in -- in IFF10-2, 11, 12, 13. And saying that  
18 projected OM&A savings of 13 million annually are not  
19 enough. Too modest, too short-lived.

20                   Go into the next slide. A very powerful  
21 warning from this Board that Manitoba Hydro's export  
22 revenue assen -- assumptions are not reflected of the  
23 marketplace, suggesting that rate -- that rate  
24 increases would be inadequate to cover the major  
25 capital expenditure program, and suggesting that the

1 cumulative rate increase out to 2025/'26 could be quite  
2 possibly roughly double Hydro's forecast. Words of  
3 advice, perhaps not heeded.

4                   Next slide please. This is not the  
5 Board. This is the Board quoting KPMG, the risk --  
6 expert retained by Manitoba Hydro. And I'm not sure if  
7 the words 'out of whack' are an accounting term or not.  
8 Some of the panel members or Mr. Rainkie could perhaps  
9 give me advice on that. But here's KPMG in the risk  
10 hearing going: Make sure those costs in the  
11 development plan don't go way out of whack. Make sure  
12 you get good prices and make sure the benefits flow  
13 back to ratepayers and are not shared too wild -- wide  
14 -- widely with other parties.

15                   And I just for a moment -- Diana,  
16 Coalition Exhibit 25, on -- on page 2 in the top right-  
17 hand corner, if we could just go there for a second.  
18 This is a filing from the NFAT, CAC/MH-I-145 and it's  
19 also been made an exhibit in this proceeding, Exhibit  
20 16. It's part of that -- that document.

21                   And the Board's had some concerns.  
22 We've heard it in this hearing, in terms of what will  
23 the bond rating agencies say. What will be the effect  
24 on Manitoba Hydro's affordable access to capital. And  
25 if we just scroll down to the bottom of the page you

1 see Moody's expr -- in expressing some concerns in  
2 terms of financial metrics.

3                   Going to the next page, please, Diana.  
4 Talking about a weakening financial program and some  
5 risks. But going to line 5 to 8, and this was relied  
6 upon by Manitoba Hydro to say we can carry -- we can  
7 carry to costs of these programs:

8                   "We view Manitoba Hydro as been  
9                   capable of prudently managing debt  
10                   and mitigating such risks by seeking  
11                   rate increases and curtailing capital  
12                   spending to continue as a self-  
13                   supporting corporation."

14                   And just a -- a message from a bond  
15 rating agency, it was repeated in -- in the course of  
16 this hearing, and I cross-examined Mr. Schulz about it,  
17 come to ratepayers they won't like it but it's -- it's  
18 understood. But curtail capital spending and our  
19 client has to ask, where is the evidence of that. And  
20 we'll come to this in a moment, but our client, since  
21 2008, has been talking to Manitoba Hydro about  
22 modernizing its capital asset management program. And  
23 there have been some strides made.

24                   But there are major challenges in the  
25 way that it is prioritizing and managing that program,

1 in our client's perspective. And we're going to  
2 contrast Manitoba Hydro's approach and techniques with  
3 what we see from other practitioners, other utilities,  
4 and we're going to raise concerns. And we think the  
5 advice of Moody's in terms of trying to rationalize  
6 capital spending, again, is good advice, that we see  
7 little evidence that Manitoba Hydro is adhering to.

8           Diana, perhaps if we could go back to  
9 this -- to the PowerPoint. Next slide, please. One  
10 (1) of the points I want to make from -- from this  
11 slide is that -- and Mr. Bowman made this point, and  
12 I'm not sure -- you know, with all the bad news related  
13 to Bipole III and to 2018/'19, I'm -- I'm not sure he  
14 fully made his point.

15           In -- in the -- in the course of that  
16 general rate application Manitoba Hydro hit that 75:25  
17 target for the first time ever. Fully four (4) years  
18 ahead of the target of its board of directors. Part of  
19 that was water, fortunate water flows, but a lot of  
20 that was Manitoba consumers. And the Board not --  
21 noting here that Manitoba consumers built up a cushion  
22 in their rates. They paid more than their cost of  
23 operating the Corporation, because this Board in its  
24 prudence said, You've got to -- you've got to build up.

25           You've got to put -- get to that 75:25

1 so you have that reserve in excess of \$2 billion so we  
2 can manage an adverse circumstance. And so this is the  
3 one (1) good news part of -- of the story, from our  
4 client's perspective, but you also have to realize our  
5 client's perspective, the ratepayers today who built up  
6 these reserves, who warned Manitoba Hydro that you are  
7 overestimating your capital expenditures -- excuse me,  
8 that you are underestimating your capital expendi --  
9 expenditures, that you are grossly overestimating your  
10 export revenues built up those reserves with the  
11 guidance of the Public Utilities Board to build a  
12 cushion in.

13                   And they've paid in their rates over the  
14 last couple of years costs towards Bipole III. Today's  
15 ratepayers paying costs, again, for a project that  
16 they're not currently benefiting from.

17                   We fully understand the Board's  
18 reasoning for -- for that Bipole III contribution, but  
19 those same ratepayers -- and again Manitoba Hydro is  
20 coming to these ratepayers and saying, Here's your  
21 triple chammy. You paid for the reserves. You're  
22 paying in today's rates for future costs. And we want  
23 you to pay again for our bad decisions. Let me try  
24 that again. Our questionable decisions done in  
25 conflict with good advice.

1                   Many of the rate pressures that we face  
2 today are self-inflicted wounds of Manitoba Hydro done  
3 against the guidance of this Public Utilities Board.

4

5   (BRIEF PAUSE)

6

7                   MR. BYRON WILLIAMS:       Another  
8 interesting good news story in a way, back in 2010/'11  
9 -- and you heard Mr. Peters talk about today how  
10 Manitoba's results -- Manitoba Hydro's results were --  
11 were better than forecast at the time of the 2013 GRA  
12 for 2012/'13, and for 2013/'14.

13                                   And here -- here's this phenomena again.  
14 The Public Utilities Board observing that Hydro's  
15 financial results for 2010 and 2011 were better than  
16 forecast again. Its financial position was  
17 significantly better than when Hydro filed its GRA.

18                                   And one of the reasons perhap Mr. --  
19 perhaps Mr. Bowman was call -- calling for a bit of  
20 calm, and why our clients echo that call, is because  
21 within Manitoba Hydro's rate -- rates and its GRA, in  
22 our client's view, there's always some -- excuse me,  
23 I'll -- I'll -- there's often some cushion, cush --  
24 cushion historically over the last few years especially  
25 in terms of the interest rate forecast, and Hydro has

1 also benefited, of course, from higher water flows.

2                   So we're just pointing out the fact -- a  
3 relatively consistent fact, not universal, of Hydro  
4 tending to perform better than forecast over the short  
5 term.

6

7                   (BRIEF PAUSE)

8

9                   MR. BYRON WILLIAMS:    If we go to the --  
10 we can actually go -- because I want to tie a little  
11 bit of this together, my -- our client's theme of self-  
12 inflicted wounds and questionable choices in the face  
13 of bad advice, slide 37.

14                   This is a CAC IR.  I actually think it's  
15 a Coalition IR, 124(d).  This is comparing the results  
16 in terms of export prices and volumes from a series of  
17 forecasts.  And it's really the price column that I  
18 want to focus you on, and to the extreme right and  
19 going down to the bottom you'll see a comparison  
20 between Manitoba Hydro forecast in 10-2 versus IFF14.

21                   And you'll see an adverse price variance  
22 going for the period of 2015 out to -- to 2030 or so,  
23 if I can read my lines, of close to \$4 billion in terms  
24 of the -- the prices.

25

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: Follow it along,  
4 you'll see that same reflection of over-optimistic  
5 forecast reflected in the comparison of MH14 to  
6 MH11(2). Two-point-nine (2.9) billion dollars on  
7 prices. Following along to the comparison between MH14  
8 and MH12, again on prices you'll see that \$770 million  
9 forecast in terms of the variance. And then again a  
10 comparison between the NFAT forecast on price and the  
11 current forecast, a \$240 million price variance, a  
12 consistent litany of over-optimistic export price  
13 forecasts.

14 Going to the next slide, this one the  
15 panel is very familiar with, PUB/Manitoba Hydro-I-  
16 17(c), a comparison of capital costs. And I'll just  
17 highlight a few.

18 Going to CEF04 and down three (3) lines,  
19 you see Wuskwatim expected to be about \$1 billion at  
20 the time that the NFAT took place. We go over CEF14  
21 and we see that \$800 million -- we see that \$800  
22 million, or seven hundred (700) and some million dollar  
23 adverse variance.

24 Going to Bipole III, starting in CEF07,  
25 we see the two point two (2.2), the two point two

1 (2.2), the two point two (2.2), and then those kind of  
2 flat forecasts of three point two-eight (3.28) the PUB  
3 was warning about, and then the shocker, in quotation  
4 marks, flowing from CEF14, the four point six-five  
5 (4.65).

6                   And then down to Keeyask, CEF08. It's  
7 the third from the bottom. You see the 3.7 billion  
8 back in CEF08, and the twenty-sev -- \$2.7 billion  
9 adverse variance going out to CEF14.

10                   And so going to the next slide, we think  
11 this discussion's important for two (2) reasons. One  
12 (1) is about the signal that we send through this rate  
13 approval. We contest Manitoba Hydro's theory, their  
14 narrative, that this -- this is fair and balanced and  
15 that they have been acting prudently. We do not accept  
16 that, and we think the record before this tribunal  
17 demonstrates that.

18                   But we also say that there's an  
19 important policy question raised. It's been raised  
20 before. But we're asking this Board to find that many  
21 of the pressures faced by current and future ratepayers  
22 are the consequence of questionable choices by this  
23 utility in the face of good advice, and that they rec -  
24 - that the PUB recommend the province review the  
25 relevant legislation with a view to the question

1 whether the PUB should be granted approval authority  
2 relating to major capital projects.

3                   It might -- might be a -- a symbolic  
4 gesture. We don't accept that.

5                   Our client has talked to us and talked  
6 to you right from the start of this hearing about  
7 accountability. Manitoba ratepayers -- our clients are  
8 asking, How is this Corporation being held accountable?  
9 How are the leaders who, in our submission, made  
10 questionable choices in the face of good advice being  
11 held accountable?

12                   It's not through those 7 percent annual  
13 rate increases for the president's office. That's  
14 clearly not the case.

15                   Our client does and is seeking from this  
16 Board some sort of explanation for Manitobans of how we  
17 got here. And they also are seeking from the Board  
18 advice at least to the legislature that consumers need  
19 more protection, that we can't revisit these type of  
20 scenarios in the future without independent oversight.

21                   And we've had independent oversight, and  
22 it's been thoughtful independent oversight, but with  
23 some teeth. And so that's the basis for this  
24 recommendation.

25                   Mr. Chairman, it's been about an hour.

1 I'm -- I -- I wonder if we can just stand down for five  
2 (5) minutes, and then I'll be happy to carry on.

3 THE CHAIRPERSON: Thank you, Mr.  
4 Williams. This is so interesting I didn't notice the  
5 clock. So -- but, yeah, let's take five (5) minutes.  
6 And -- and your --

7 MR. BYRON WILLIAMS: Could I get you to  
8 --

9 THE CHAIRPERSON: -- intention is to  
10 continue beyond 4:30.

11 MR. BYRON WILLIAMS: Yeah. And if I  
12 could get you to send a note to my client to that  
13 effect, that would be good.

14

15 --- Upon recessing at 4:08 p.m.

16 --- Upon resuming at 4:21 p.m.

17

18 THE CHAIRPERSON: I believe that we're  
19 ready to resume the proceedings. So without further  
20 ado, Mr. Williams, back to you.

21 MR. BYRON WILLIAMS: Yes, and thank  
22 you, members of the panel. I'm going to guess that  
23 this next section will take about an hour. And we'll  
24 be flipping between the PowerPoint and Coalition  
25 Exhibit 25. But let's stay on this page for -- for

1 just a moment. We used the words 'pitch' and 'plan'  
2 very consciously. It will be our submission that since  
3 2004, this Board, and certainly since 2008, our client  
4 has been asking for a modernization of the capital  
5 asset planning project process at Manitoba Hydro, and  
6 we'll explain what we mean by 'modernization'.

7                   But at a high level, evidence-based, one  
8 (1) that at the business unit level, but at the  
9 corporate level as well, allows the -- the executive  
10 Man -- of Manitoba Hydro to look at their performance  
11 criteria, their budget criteria, and their risk  
12 criteria, and make informed, well-balanced decisions  
13 that protect the Corporation, that protect its  
14 performance, but that protect ratepayers.

15                   And our client's submission will be that  
16 we -- we ain't there yet. We're not there yet. And  
17 we're going to try and walk you through, perhaps in  
18 mind-numbing detail, I hope not, but a couple of  
19 examples of -- of where we think we should be, and to  
20 draw a distinction between where we are. And we used  
21 the word 'pitch', as well, quite consciously, because  
22 since 2008, our client has been asking for an -- an  
23 asset health assessment.

24                   And an asset health assessment is more  
25 than just a conclusion. It's more than just coloured

1 charts. It's an explanation of the probability of  
2 failure and the criticality of failure. And our client  
3 is -- will argue that what we got in Appendix 4.2  
4 wasn't an asset health assessment. It was a pitch.  
5 And what our client -- it's -- it's like the -- the  
6 math student, the -- in my days, geometry and algebra.  
7 I don't know what they call it now. Calculus. It's  
8 like the math student who gets the right answer, but  
9 can't explain the -- the answer. You don't get any  
10 marks.

11                   And our client has been trying to drag  
12 the answer out of Manitoba Hydro in terms of how it is  
13 actually planning -- assessing, weighting, and  
14 prioritizing these expenditures through the course of  
15 this hearing.

16                   If -- Diana, if we could just go back to  
17 slide -- I believe 25 or 26 for just a moment? I just  
18 do want to go back to -- this is the Board talking in  
19 2004 again, raising the issue that I think is still  
20 before us today, how projects individually make sense,  
21 but collectively, how does the Corporation assess them,  
22 weigh them, prioritize them? So that's the Board back  
23 in 2004.

24                   And we can now go on to slide 41,  
25 please. And again, we talk about the -- the magic

1 words of budget performance and risk. And our client  
2 notes that there's been very rapid development in the  
3 sophistication of practices in jurisdictions such as  
4 Ontario. There's more regulatory rigour. The issue of  
5 infrastructure getting older is not unique to Manitoba.  
6 It's not unique to any particular jurisdiction in North  
7 America. But the question is -- you heard from Mr.  
8 Kennedy that things are lasting longer. The question  
9 is: What does a regulator do with it, and what does a  
10 modern strategic utility do for it -- do with it?

11           So it's not about regulatory rigour for  
12 the sake of process. It's about improving cost-  
13 effective performance. And over time, we've added on  
14 focusses. When the Board was talking about this issue  
15 back in 2004, they were really focussed on capital  
16 expenditure. But as we move into what some  
17 sophisticated managers are doing in -- in Ontario or  
18 elsewhere, they're looking also -- what are we doing on  
19 the maintenance side?

20           What are the tradeoffs between, you  
21 know, more vegetative management? They're looking on -  
22 - on the other side, as well, and so more and more is  
23 being demanded about -- in terms of cost-effective  
24 performance in -- in an integrated fashion. And Mr.  
25 Morin, when I spoke with him on May 29th, kind of

1 begrudgingly talked about the process in Ontario as a  
2 very rigorous process in terms of asset management  
3 strategies.

4                   And so the point I just want to leave  
5 you with on this page, it's not process for process's  
6 sake. It's process to protect performance targets.  
7 It's pro -- process to perfect -- protect budgets. And  
8 in our respectful submission, Hydro is not there yet.  
9 And there are reasons for significant concern in terms  
10 of its -- its projected investments in terms of  
11 sustaining capital, as they describe it.

12                   The next slide sets out a bit more  
13 history. You've probably had enough history from me  
14 today, but this is the Public Utilities Board after  
15 listening to Mr. William Harper, Bill Harper, who  
16 appeared at the NFAT and is consulting on this hearing  
17 saying: We kind of like this idea of these asset  
18 condition assessment reports. We'd like one (1) of  
19 those by June 2009.

20                   Now, that was a bit optimistic, and it -  
21 - because Manitoba Hydro was in a state of transition,  
22 and arguably, it still is in a state of transition,  
23 so that request was subsequently varied, and we can go  
24 to slide 43, because Manitoba Hydro said, We need some  
25 more time, and the Board varied that order. So this is

1 kind of where we were in 2008, the Board expressing an  
2 interest and -- and hoping for some results.

3                   Now, we're going to flash forward five  
4 (5) years. Here we are in Board Order 43/'13. This is  
5 really when the issue significantly pops back up again.  
6 And again, the Board is asking Manitoba Hydro to  
7 complete and file with the Board an asset condition  
8 assessment study no later than the next updated  
9 depreciation study.

10                   So there was a request back in 2008, and  
11 in -- in fairness to Hydro, there were signs that it  
12 was, five (5) years later, moving toward some of that  
13 analysis. We talked about two (2) documents in the  
14 course of that hearing. One (1) is the Kinectrics  
15 report, an external third party brought in to help the  
16 good folks in transmission. It was -- that document  
17 was prepared in late 2012, but not filed during the  
18 general rate application, and certainly didn't come to  
19 my client's possession until the Second Round  
20 Information -- Information Requests in this hearing.

21                   There was also an in-house distribution  
22 study prepared by Mr. Morin and his colleagues, which  
23 in -- in that order, was called Appendix 40. And if  
24 you get a chance, it would be instructive to compare  
25 the two (2) documents. Both were sincere -- sincere

1 efforts, but in our respectful view, there's no  
2 comparison between the two (2) documents.

3                   On the transmission side, you have the  
4 external folks with an expertly prepared robust  
5 assessment of parameters and factors that are drive --  
6 driving the degradation of certain assets, like  
7 transmission poles. And then you have Appendix 40, an  
8 honest, sincere in-house first try. Stay on this page  
9 for a minute.

10                   But when you look at it, it's primarily  
11 reliant on aging. And the whole message, you heard it  
12 from Mr. Kennedy, hopefully you heard it in my cross-  
13 examination, in terms of these assets age is not an  
14 effective sole predictor of their life.

15                   And if you're making predictions based  
16 on age there's a real risk that you're going to be  
17 replacing these assets too soon. And that's one (1) of  
18 the reasons that we want to undertake these asset  
19 health index assessments is to get a handle on the  
20 health of the -- the assets in the business unit.

21                   That's why jurisdictions like Ontario  
22 and across North America are asking for more rigour,  
23 because they want to protect reliability and  
24 performance, but they want to protect ratepayers. Age  
25 is not enough.

1           So there you have it, the Board ordering  
2 the study. You can tell, page 45, we can just go there  
3 quickly for a laugh, that's about when the computer  
4 blew up on us. So there was going to be a pretty  
5 graphic there, but you don't need to -- to see it  
6 today.

7           And we can go to the next slide. What  
8 does a modern capital asset strategy involve? And we  
9 put this to Scott Thomson, the -- the CEO of Manitoba  
10 Hydro based on his experience at Fortis. And you can  
11 see in that first bullet that quote from Mr. Thomson.  
12 It's looking at those three (3) words I keep -- or  
13 these three (3) phrases I keep using:

14                         "Optimizing decisions in comparison  
15                                 to risk, performance targets, and  
16                                 financial constraints."

17           It's often tied to a reliability  
18 objective. And so when we go to the PowerStream  
19 example, you're going to see them saying, This is our  
20 prediction in terms of what we're going to achieve with  
21 our investment in terms of SAIDI, duration of -- of  
22 incidents, and terms of SAIFI, the -- the frequency of  
23 incidents. And for the reporter, SAIDI is S-A-I-D-I,  
24 capitalized. SAIFI is S-A-I-F-I capitalized.

25                         So tying the investment to a specific

1 performance metric. And Board member Kapitany and  
2 others might have heard the -- the gentleman from  
3 Manitoba Hydro's sincere, hardworking, from the  
4 generation transmission and -- and distribution side  
5 saying, Well, even if you spend this much we're not  
6 sure performance is going to improve.

7                   And that's one (1) of the deep concerns  
8 our -- our clients have. A -- a modern strategy is  
9 tying that investment to a measurable outcome, in our  
10 client's submission.

11                   What do we do in a -- in a -- as part of  
12 the strategy? One (1) of the first things we do is we  
13 look at the probability of failure of these assets and  
14 we also look at, What are the implications if they  
15 fail. The term you often see used, whether in  
16 Kinectrics or PowerStream is criticality.

17                   So part of that looking at the  
18 probability of failure is -- is getting insight into  
19 the health or condition of the equipment. And then the  
20 next step that you see is looking at the importance of  
21 that equipment, its criticality. If it fails is it  
22 going to knock off the, you know, the lights to the  
23 lonely Williams farm in Souris, Manitoba, or is it  
24 going to knock out the -- the generator at a -- at a  
25 hospital. So that's part of -- an important part of

1 the investment decision, what's the probability of  
2 failure, what's the outcome, because that helps you to  
3 prioritize.

4                   Next slide, please. Mr. Thomson made  
5 this next point helpfully with me. We're no longer  
6 just looking at capital expenditure management. We're  
7 trying to integrate a package of investment in terms of  
8 operational decisions, maintenance decisions. I talk  
9 far too much about robust vegetative management.

10                   But we'll learn that the number 2 cause  
11 of failure, SAIFI or SAIDI, is trees in Manitoba. And  
12 so we would have been looking when -- in this capital  
13 asset management strategy, for some consideration of  
14 trade-offs.

15                   So what are we doing on the vegetative  
16 management side? If we invest more there, can we save  
17 some more on -- on the capital side? And we challenged  
18 this panel, and we challenged Manitoba Hydro to  
19 demonstrate to us any element of that in terms of their  
20 strategy, in terms of their decision making.

21                   Mr. Thomson said, We do this because  
22 it's about prioritization and pacing, both at the  
23 business unit level -- at distribution, generation,  
24 transmission, and -- and buildings -- and at the  
25 corporate level, insight into the pace of repairs.

1           You're looking to have a comparison of  
2 different assets in a consistent matter (sic). And the  
3 four (4) -- the very bottom bullet is an important one,  
4 and that's in the literature what you will see is why  
5 there's such a drive to modernize these is to help that  
6 decision making at the portfolio level -- level.

7           How do we compare an investment decision  
8 on the distribution side to the generation side to the  
9 transmission side? Is it the loudest voice? Is it the  
10 pitch? Or is it evidence? And that's what a modern  
11 capital asset management strategy is about.

12           And I want to try and be fair here. We  
13 talked to Mr. Thomson about his Fortis experience,  
14 because we had their -- their discussion paper, their  
15 plan. We knew that Fortis was in transmis --  
16 transition.

17           And we know that Manitoba Hydro is in  
18 transition. And in fairness, we're -- we're not where  
19 we were in 2004. And on certain sides of the business,  
20 some more than others, you can see some real progress.  
21 But there are, we'll point out, I hope, some  
22 significant gaps, some significant challenges.

23           Next slide, please. And I apologize if  
24 I sound a little obsessive about this stuff. I've been  
25 reading far too much about it.

1                   Here's a critical point, and I -- I'm  
2 going to ask the court -- excuse me, Diana, to turn to  
3 page 14 in the top right-hand corner of -- of the --  
4 and I'll direct your attention to the second arrow.

5                   You've heard me talk a -- a little  
6 obsessively about age is -- is -- one has to be careful  
7 when you see age used as a primary criteria for  
8 investment decisions. Here is the independent third  
9 party Kinectrics looking at the transmission assets of  
10 Manitoba Hydro, at least selected ones, and talking  
11 about transmission poles.

12                   Using chronological age instead of, in  
13 quotation marks, "effective age" based upon its actual  
14 health would have resulted in almost doubling the  
15 actual replacement rates for wood poles.

16                   I like that quote a -- a lot, so I am  
17 going to come back to it a couple of times. But,  
18 Diana, if you could go back to slide 48? Modern  
19 capital asset strategy requires insight into the  
20 mechanism of degradation and the health of the asset.

21                   And we're going to argue, and certainly  
22 with regard to the distribution side, that too many  
23 decisions are still being based on age. And we think  
24 that's significant. You just have to look at the  
25 investments costs for poles on the distribution side to

1 get a sense of how big the magnitude of the investment  
2 is.

3           But if you try and track the growth, the  
4 \$100 million growth, from 2013/'14 to 2014/'15, about  
5 50 million, about half of that, is on the distribution  
6 side. And certainly from our client's perspective,  
7 that's where the relatively weakest planning and -- and  
8 techniques are.

9           That's where there's the least evidence.  
10 That's where there's the least analysis, in our  
11 client's perspective, an analysis that's been validated  
12 by an external third party does not exist.

13           And if you think I'm a bit obsessed with  
14 age, here's some good advice from Mr. Thomson. He's  
15 talking about the old days:

16                    "In the old days when we were making  
17                    these decisions, they were very time  
18                    based."

19           He's meaning age there. And so you're  
20 making decisions that were some -- some -- sub-optimal.  
21 Some would fail prior to their anticipated life and  
22 some would have lasted a lot longer and you've wasted  
23 money. So that's part of the evolution of those  
24 practices. And -- and we want to make the point that  
25 Hydro's not there yet. And the fact that they're not

1 there in the evolution of their management practices  
2 causes our client to question whether they've  
3 established the prudence and reasonableness of their  
4 very significant investment.

5                   Next slide please. So I want to take  
6 you through, from our client's position, some examples  
7 of what modern analysis should look like. And then we  
8 will contrast it with certain parts of the Hydro  
9 approach. So example 1 is Kinectrics. And we'll ack -  
10 - we'll acknowledge that Kinectrics is -- was brought  
11 in to help the transmission side a couple of years ago.  
12 We heard for -- to our knowledge for the first time  
13 that they're now coming in to help the distribution  
14 side and certainly our clients are of the view that  
15 that will -- that is a good thing. But it's -- and  
16 that distribution needs assistance.

17                   But if we could turn, Diana, to Exhibit  
18 -- Coalition Exhibit 20 -- 25, page 6 in the top right-  
19 hand corner. Again, this will just give you a sense of  
20 why age isn't the only indicator, what -- what firms  
21 like Kinectrics look like. And making the point at the  
22 bottom that asset condition is not only a function of  
23 asset age. And we've seen that powerful quote in terms  
24 of transmission that if you made investment on the  
25 basis of age for poles you'd be doubling the

1 replacement of poles.

2                   Go to the next page, Diana. Again, this  
3 is what we would look for in a -- a modern approach  
4 looking at the probability of failure, also looking at  
5 the criticality, and that prioritization. You would  
6 expect and you would see, if we turn to page 11, a list  
7 of those most likely to fail.       And if you -- and  
8 what this does, Mr. Chairman and members of the panel,  
9 this is just one (1) PowerPoint slide. But if you go  
10 to the Kinectrics report which is at Coalition-II-53,  
11 you're going to have pages of prioritization in terms  
12 of poles -- or, excuse me, or transformers worse to --  
13 worst to first.

14                   And an important point for our client we  
15 see at page 16. So you've got that indication of the  
16 health of the -- of the health of the asset. You've  
17 got that indication of the criticality. Now, you've  
18 got to bring in the budget. And here is an  
19 illustrative example by Kinectrics of -- of kind of  
20 the different decisions you can make.

21                   Their objective, and I put this to Dr.  
22 Swatek and he wasn't sure if they -- they did this, but  
23 here's the evidence. You look at the -- your objective  
24 is a least-life cycle cost. You want to look at your  
25 options, your alternatives in terms of replacement or

1 rehabilitation timing. You've got factors in there.  
2 What are your risks? What are your capital costs?  
3 What are the benefits of delaying capital expenditures  
4 or maintenance?

5                   And this is the type of analysis that  
6 we've been asking Manitoba Hydro for trying to get some  
7 insight into how are you doing this. How are you doing  
8 it at the business unit level? How are you doing it at  
9 the corporate level?

10                   This type of analysis, we think, will --  
11 would -- would be helpful in helping us to understand  
12 what are they -- what kind of pacing and prioritization  
13 decisions are they making? Is it as it used to be in  
14 the old days? The men and women in the room yelling  
15 loudest to get your expenditures, or is there an  
16 evidence-based decision making process with a real  
17 consideration of tradeoffs in terms of risk,  
18 performance, and budget.

19                   And we'll give you a -- I hope a  
20 concrete example from PowerStream, as well.  
21 PowerStream is also in -- in this document and, Diana,  
22 if you could turn to page 23 in the top right-hand  
23 corner?

24

25

(BRIEF PAUSE)

1 MR. BYRON WILLIAMS: And leave that  
2 right there. This is -- I'm obsessing about poles.  
3 This is a -- PowerStream has a bit of a different  
4 approach than Kinectrics. Kinectrics separates the  
5 probability analysis from the criticality analysis.

6 You hear -- you see here PowerStream,  
7 this is how they look at the parameters that go into  
8 the health of the -- of the asset. They look at  
9 percentage remaining strength, the pole condition, and  
10 there down at the bottom you see a little bit of weight  
11 for age.

12 We bring this to your attention for a  
13 couple reasons. We -- we think that in his evidence on  
14 May 29th in discussing -- in my cross-examination Mr.  
15 Morin may have inadvertently left the wrong impression  
16 that somehow the PowerStream on poles only made  
17 decisions based upon age, and I don't think that was  
18 intentional. I think -- but that might have been the  
19 impression.

20 What we're showing you here is that in  
21 terms of the assessment of the health of the wood poles  
22 by PowerStream, age is a relatively modest factor. And  
23 you see that -- the maximum square of five (5). I --  
24 I'm not going to go into the -- the details but you can  
25 see the pole condition, percentage remaining strength,

1 given a lot more weight.

2                   If we can go to page 24 in -- in this  
3 document, and scroll up a little bit, Diana, and -- and  
4 here's where your enthusiasm might wane, but this is an  
5 important document, and it's a document we would have  
6 expected from Manitoba Hydro in terms of explaining,  
7 How do you make decisions?

8                   And so you'll see here they're built  
9 from the ground up, from the business unit up, and then  
10 if you go to lines 9 and 10 they're built up from the  
11 business unit into the corporate ten (10) year Capital  
12 Expenditure Plan. And on the next page, being page 25  
13 at lines 8 and 9, you can see the -- bringing into the  
14 -- so we've got the wish list from the Corporation.  
15 Well, let's start building in some con -- constraints.  
16 What can we afford? And I'll give you a bit more  
17 detail on that on the -- the next page, page 26.

18                   They have an optimization tool, and it's  
19 interesting Copperleaf 50 -- C(55), that's actually  
20 what generation has on the Manitoba Hydro side. So we  
21 give generation credit. It's not there yet on the  
22 distribution side.

23                   That's a tool to -- to assist in making  
24 decisions in terms of benefit and risk, and we'll go to  
25 page 30...

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: And you'll see at  
4 key step 6 what they do is:

5 "Set budget funding level constraints  
6 to allow for analysis and to  
7 establish financial criteria to  
8 permit the optimization results to be  
9 com -- compared to the optimal  
10 funding amou -- amount. These levels  
11 are available for optimization  
12 results to create very constraint  
13 decisions."

14 And so that's in our Information Request  
15 to Manitoba Hydro. We're trying to get insight into  
16 the working papers. What are you doing on the -- on --  
17 in terms of these? How are you deciding about spending  
18 \$20 billion on buildings versus 'X' million dollars on  
19 -- on poles? How are you making those decisions? How  
20 does your process actually work?

21 And our client's firm view is that you  
22 will not see a description like this in the Manitoba  
23 Hydro documents, and we've tried.

24 Slide 31 -- or sorry, no. Yeah, next  
25 page. Thank you. You get an analysis of the various

1 decisions, the various scenarios, and a decision is  
2 made. I'm -- we're -- we're just going to spend a  
3 couple more minutes on PowerStream and I want to pull  
4 to slide -- or page 33.

5                   Here at the top of the page you'll see  
6 that within this capital decision-making structure,  
7 within this whole -- the -- the same section, the asset  
8 life cycle optimization policies and procedures,  
9 there's an integration with maintenance. There at the  
10 bottom's my good old vegetative management.

11                   And if we go to slide -- or page 34 and  
12 35 of this decision, towards the bottom, you'll see  
13 PowerStream making a decision at the bottom of 34 and  
14 to the top of 35 that they need to get more proactive  
15 on vegetative management.

16                   Scroll up just a bit onto page 35. A  
17 five (5) year trimming cycle was not adequate. And so  
18 a big gap in our client's assessment of Manitoba  
19 Hydro's analysis is how are you integrating these  
20 expenditures? How are you making those tradeoffs? And  
21 our client is not seeing them. And we guarantee that  
22 you won't find that kind of discussion to this level in  
23 Appendix 4.2.

24                   If we can go to page 37 of this same  
25 document. And lines 14 to 17, and this is a rela --

1 relatively new initiative by PowerStream, but it's  
2 consistent with good practice in the industry. A  
3 reliability model, tying the investment to performance  
4 outcomes -- or a forecast of performance outcomes.

5                   And you'll -- you'll see at the bottom  
6 of the page -- of this page, they look at risk factors.  
7 What are the ones we can control, defective equipment,  
8 tree contact, there's my trees again, scheduled  
9 outages. What are the ones we can't control, adverse  
10 weather is one (1) they say they can't control.

11                   And if we go to the next page, page 38,  
12 you're going to see a comparison of their performance  
13 against controllable factors and uncontrollable  
14 factors. Our client is not holding out PowerStream as  
15 a paragon of in -- investment, or of management. We --  
16 we don't know much about Power -- PowerStream. We're  
17 holding this out as an example of the type of  
18 information this Board is entitled to if it's going to  
19 make a determination, or to make a judgment call on --  
20 on what level of investment appears rud -- prudent and  
21 reasonable.

22                   And from our client's submission, it's  
23 good management practice, but it's also good regulatory  
24 practice. In fact, it's critical to both. And just to  
25 the next page, two (2) pages over, page 40 on the top.

1 This is using the reliability model.

2           This is PowerStream's forecast of what  
3 its distribution investment is going to get in  
4 reliability outcomes. It's a standard that the  
5 regulator can hold PowerStream to when it comes back in  
6 for rates. And again, our client's submission is that  
7 we're not seeing this for Manitoba Hydro.

8           And just for Profess -- Professor Grant  
9 and others who are interested in statistics, I think  
10 what you're seeing with the bottom grey line and the --  
11 the top grey line is three (3) standard deviations, is  
12 they're trying to give some sense of the risk inherent  
13 in their -- their forecasts. I think that's what  
14 that's portraying there.

15           So that's what our client brought to  
16 this hearing as an example, a couple of examples of  
17 what they think modern analysis should look like.

18           And if you get a chance to compare this  
19 to Appendix 40, the distribution analysis, which was a  
20 real good try -- you know, it wasn't externally  
21 validated. It was a real good try from some people who  
22 really care about their job.

23           But it's not what this Board is entitled  
24 to in terms of making its regulatory call. And from  
25 our client's perspective, it's not a document that

1 gives our client a lot of comfort when it's looking at  
2 Hydro's expenditures.

3                   Mr. Chairman and members of the panel,  
4 it's about 5:00. I think I've got about twenty-five  
5 (25) minutes on this section to go. I'm at your  
6 pleasure. Would you like me to proceed?

7

8   (BRIEF PAUSE)

9

10                   MR. BYRON WILLIAMS: Diana, if you  
11 can go to page 13 in this document for just a second?  
12 And a lot of my discussion in our presentation today on  
13 behalf of our clients has been about narratives,  
14 Hydro's narrative that it's being fair and balanced.  
15 Our narrative is that it's making questionable  
16 decisions against good advice.

17                   On the sustaining capital side, Hydro  
18 has a narrative as well: We've done really well, but  
19 we've got this pending -- I don't want to exaggerate  
20 too much, but we've got a big issue coming up. We're -  
21 - we're not in very good shape.

22                   And we brought here is a counter-  
23 narrative from the one (1) external source we have  
24 that's looked at some of these assets. This is the  
25 transmission side again. Kinectrics has not been into

1 distribution. Again, Kinectrics is saying, Those  
2 transformers and breakers are -- have longer lives that  
3 in other jurisdictions. Partly, that's due to Manitoba  
4 Hydro's credit, and that's good. Also, colder than  
5 average ambient temperature and moderate low --  
6 loading. But a different narrative, not a narrative of  
7 crisis, not a narrative of pending catastrophe. A  
8 narrative of pretty healthy ath -- assets.

9                   Again, age is not a good predictor.  
10 Here's Kinectrics again saying effective age was in  
11 most cases less than actual age.

12                   And I'd like to go back to my  
13 transmission poles, but I've done it twice already, so  
14 I'll -- I'll stay away from that.

15                   I want to turn now in this document to  
16 page 46. And, Diana, if you can just keep that page  
17 flagged and then go back to slide 52, just for a  
18 second.

19                   I just want to draw your attention to  
20 the headline. I certainly don't mean to pick on Mr.  
21 Morin. But the point we're going to try and make in  
22 the next couple of moments -- and it has nothing to do  
23 with him personally; he's clearly a diligent, hard-  
24 working, sincere person -- that distribution appears to  
25 have a significant way to go in modernizing their asset

1 planning.

2                   And if we go now, Diana, to page 49.

3 Excuse me, to page 50. Remember those transmission  
4 wood pole structures that Kinectrics said, If we went  
5 by their actual age we'd be replacing them at twice the  
6 pace? Here's how on the transmission side -- sorry,  
7 Cheryl. Here's how, on the transmission side, they  
8 look at the health of that asset. And our client asked  
9 a lot of Information Requests in the First Round,  
10 trying to get at these parameters and factors and  
11 weights, because we couldn't find them in Appendix 4.2  
12 except for in rare circumstances.

13                   And we couldn't find them in the First  
14 Round Information Requests, and that's when,  
15 regrettably, we had to make the call that we couldn't  
16 bring La Capra, because we just didn't know what was  
17 going on. Here's what you see on the transmission wood  
18 pole structure side. Parameter pole strength, given a  
19 weight of five (5). Pole physical condition, four (4).  
20 Do the numbers, you're up to thirteen (13). The  
21 service record is there, and you can see if you move to  
22 the right, well, age gets two (2) points, overall  
23 condition count gets one (1). A score of thirteen  
24 (13), age is getting two (2) points. And that would be  
25 analogous to what I tried to show you with PowerStream.

1 Age is in there, but not given a lot of weight.

2                   Now turn back a page to the distribution  
3 side. Remember, they're spending a lot of money on  
4 poles and distribution. Subject to check, I'm going to  
5 suggest in the range of 40 million annually. This is  
6 distribution now. Wood poles age a hundred percent.  
7 And if you scroll -- go to page 48, now this is on the  
8 distribution side: parameter factor age; padmount  
9 transformers, age; Overhead primary -- primary  
10 conductor, age; underground cables, age.

11                   Now, this is from 2012 -- actually I --  
12 I misspoke. This is from this hearing. These are --  
13 so here's age, age, age.

14                   Now, flip over just a couple of pages,  
15 Diana, as you move into transmission. Oh, sorry, go to  
16 page 49. My apologies. Now we're on transmission, and  
17 you see parameter factors and weights. Move over  
18 another couple pages. We'll get to generation on page  
19 51. The sophistication on this side of the -- the  
20 business. We're not saying there's no issues there,  
21 but we're drawing a sharp contrast between the lines of  
22 business.

23                   These are how they determine the asset  
24 health. Board member Bel, you're looking puzzled.  
25 You're just -- okay. Okay. I apologize. I shouldn't

1 be characterizing your face.

2

3

(BRIEF PAUSE)

4

5

6 MR. BYRON WILLIAMS: So back to slide  
52 for a moment, Diana.

7

8

(BRIEF PAUSE)

9

10

MR. BYRON WILLIAMS: So when we saw  
11 this on behalf of our clients, Coalition-52, and  
12 remember, we made a lot of efforts to get it in the  
13 First Round and were unsuccessful, obviously, we're --  
14 we're concerned when we see the heavy reliance upon age  
15 rather than robust parameters on the distribution side.

16

17

And we also ask, going to the second  
18 bullet, think back to what Mr. Thomson said. Modern  
19 capital asset planagement (sic) is about management at  
20 the portfolio level. We want to be able to compare a  
21 choice on the distribution business unit side with a  
22 choice on the generation side, with a choice on the  
23 transmission side. We want to put that together and --  
24 and make a call. Talk about an apples-to-oranges  
25 analysis. We see on certain parts of the firm an

1 effective age approach. On the distribution side it  
2 appears to be heavily weighted to age. And I asked Mr.  
3 Morin about this at page 53 -- excuse me, slide 53.

4 I'm talking about the page I just took  
5 you to that we're seeing a lot of these parameters  
6 regarding the distribution side, but we see age as a  
7 parameter coming up fairly frequently, yes. And at  
8 times the weight assigned to age are 100 percent.  
9 That's correct. And that's concerning for our client.  
10 And that's why our client is definitely glad that  
11 Kinectrics is coming into help out the distribution  
12 side, but that's why our client definitely does not  
13 have con -- confidence in the magnitude of sustainable  
14 capital investments being put forward by this  
15 Corporation.

16 Slide 54.

17

18 (BRIEF PAUSE)

19

20 MR. BYRON WILLIAMS: And Mr. -- Mr.  
21 Morin, who's an able witness, knew where I was going  
22 with this discussion. And you can see him here  
23 anticipating saying, Mr. Williams is going to age  
24 versus effective age. Well, their PowerStream is using  
25 age just like we are on the distribution side.

1                   And again, I just want to pull you back  
2 to that slide, and I -- I think he meant a different  
3 thing, but I just want you to pull you back to the  
4 distribution -- to the PowerStream slide 23, page 23 in  
5 the top right-hand corner. These are distribution  
6 poles for PowerStream. They're not all about age.  
7 Pole condition. Percent remaining strength.

8                   Mr. Morin might -- or excuse me, I  
9 shouldn't be personalizing this. Manitoba Hydro might  
10 properly say, Well, they've got a lot less poles than  
11 PowerStreams. Fair enough. And -- and they do.  
12 PowerStream I think is worth maybe 1.4 billion compared  
13 to -- Hydro's a lot bigger. A broader territory. But  
14 there are techniques in the industry, random samples,  
15 that you can get more robust than age as the primary  
16 factor.

17                   And I note at slide 54 going back to  
18 that, we saw when I took you to the weights that on the  
19 transmission side age is given little weight, and Dr.  
20 Swatek confirmed that with me, as well, in -- in cross-  
21 examination.

22                   Just to finish going to slide 55, just  
23 making the point again and the chairperson asked this  
24 question on -- on May 29th. And we talked about how  
25 firms such as Kinectrics do both assistance in

1 planning, capital asset assessment, but also audits.  
2 And to the credit of Hydro on the transmission side,  
3 they brought Kinectrics in.

4           And when you look at that report, which  
5 is found in Coalition-II-53, you see the -- the insight  
6 from that report. And we invite you to contrast that  
7 to what you got in Appendix 4.2 from Manitoba Hydro.  
8 In one (1), you've got a lot of analysis. In the other  
9 you've got a lot of coloured charts.

10           Now, there might be analysis behind  
11 that. Our client has been trying to dig it out,  
12 perhaps annoyingly so. Again we note the distribution  
13 is not yet lose -- using that optimization tool,  
14 Copperleaf 55. They're starting to look at it.  
15 PowerStream is. And so is generation. So again we --  
16 we draw attention to the challenges.

17           Slide 56.

18

19                           (BRIEF PAUSE)

20

21           MR. BYRON WILLIAMS: Just reminding  
22 you, PowerStream is tying its investments into  
23 reliability outcomes. We're not seeing that in terms  
24 of Manitoba Hydro. And Board member Kapitany and  
25 perhaps Board member Bel had those questions about,

1 What are we getting for our \$570 million?

2                   And this Board is entitled to some  
3 metrics, and we're confident that Manitoba Hydro will  
4 get there. But our client certainly is not prepared to  
5 endorse a sustaining capital budget presented with the  
6 quality of analysis that Manitoba Hydro has provided,  
7 when we know what strategic asset management should  
8 look like, and we know what regulators are asking in  
9 other jurisdictions.

10                   I've said Appendix 40 was a good in-  
11 house try, and -- and it was. The second bullet here  
12 is just Board member Bar -- or Board member -- Hydro  
13 witness Ms. Bauerlein noting that they relied upon that  
14 in terms of making allocative decisions.

15                   And we hope by focussing you on the --  
16 the parameters and the weights that are used on the  
17 distribution side we've -- we've given you some sense  
18 that that -- that there's a lon -- a -- a long way to  
19 go in terms of using that as a planning document.  
20 Anyways, that's the -- the point on that slide.

21                   Go on to slide 57. I'm just drawing a  
22 contrast between the Kinectrics approach, which we went  
23 through, versus the distribution approach. Kinectrics  
24 relies upon asset condition. We see a lot of age in  
25 the distribution side. Kintectrics, I showed you the

1 optimization deferral. We're not seeing that, to our  
2 knowledge, on the record in this hearing, on the dis --  
3 distribution side.

4 And just one (1) second, please.

5

6 (BRIEF PAUSE)

7

8 MR. BYRON WILLIAMS: And just for a  
9 moment, Diana, if I can go back to Coalition Exhibit  
10 25, page 16. There that's the Kinectrics optimization  
11 approach and it -- Diana, actually if you now go to  
12 page 9 of that same -- same document.

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: And the pink is  
17 optimized. Green is maximum deferral. This is with  
18 regard to transformers; it's not poles. But here you  
19 see the planning advice. Okay. You know, here's the  
20 perfect world and then there's -- there's the green,  
21 the real world. And we think this is a -- a -- the --  
22 the type of analysis that we -- we're not sure -- we --  
23 we certainly don't see that appearing, in our  
24 respectful submission, in Appendix 4.2 of Manitoba  
25 Hydro.

1                   Slide 58. If I would have not had a  
2 computer crash, I might have changed the word  
3 'dramatic' to 'very significant'. And the point we're  
4 making here is when you look at that \$100 million  
5 crossover point, if you go to PUB-I-22(c) you'll see in  
6 '13/'14 a hundred and eighty-five (185) for  
7 distribution, a hundred and eighty-five point eight  
8 (185.8).

9                   There you go -- there's a -- a \$50  
10 million increase in the absence of external review,  
11 heavily reliant upon age. A relatively substandard  
12 analysis. And again, those folks worked really hard  
13 there. They keep the lights on. They're great folks.  
14 They -- they work -- they work hard. And -- and  
15 they've come a long way. A few years ago they didn't -  
16 - they thought they had seven hundred thousand  
17 (700,000) poles, now they know they have a million.  
18 That's coming a long way.

19                   And -- and they have good treatment in  
20 terms of keeping the poles up. Like, so we don't take  
21 issue with the effort or the diligence or some of the  
22 results. But we take issue with the evidence of a  
23 robust planning process -- of robust pacing and  
24 prioritization process. We don't think the evidence is  
25 there. And, in fact, we think the evidence points the

1 other way.

2 Slide 59. And so this significant  
3 growth -- and again, I'm going to strike out the  
4 adjective 'dramatic' and just call it significant -- is  
5 of concern to our clients, representing many persons on  
6 fixed and -- and low income.

7 A line of business without external  
8 evaluation, without yet the Copperleaf prioritization  
9 tool, without robust parameters which appears to rely  
10 heavily on age, shows the largest growth of any line of  
11 business.

12 It concerns our client because Hydro  
13 cannot draw and does not draw the link between  
14 performance and investment. And that's certainly what  
15 our client is looking for. You can throw a lot of  
16 money at a problem. Are you throwing the money in the  
17 right place, and can you prove it?

18 Slide 60. I could perhaps be accused of  
19 also an unhealthy interest in Manitoba Hydro's  
20 buildings. And you'll find the source of our concern  
21 in the human resource and corporate services line. And  
22 that's another line with significant -- I used the  
23 right adjective here -- growth from 62.6 million in  
24 2013/'14 to 75 million.

25 And what caught our eye was the building

1 expenditure lines. Remember, Hydro's told us this is  
2 all about reliability. This is all about performance.  
3 There's some pretty significant building investments in  
4 2014/'15, 22.4 million; 2015/'16, 24.3 million.

5 We're not saying those are bad  
6 investments. We're not saying they're good  
7 investments. We're saying it's pretty hard to tell --  
8 to -- to tie those type of investments into a  
9 performance agenda, a reliability agenda.

10 We note that there was no mention of  
11 these investments in Appendix 4.2. But it's a pretty -  
12 - you know, of that \$100 million growth, there's 12  
13 million going to this particular line.

14 And Mr. Rainkie confirmed because he  
15 said that Appendix 4.2 was focussed on generation,  
16 distribution, and transmission. Again, it's difficult  
17 to relate these type of investments in buildings to  
18 SAIFI and SAIDI.

19 And when our client tried to explore  
20 this at slide 61, what caught our attention was we  
21 asked: You know, you're making some pretty significant  
22 investments in buildings. Do you have a condition  
23 assessment?

24 And Ms. Bauerlein said, There wouldn't  
25 be a specific asset health index. And then Mr.

1 Rainkie, pulling out of his incredible photographic  
2 memory, said, I saw something cross my desk; there's  
3 something that's in the works.

4                   So Exhibit 81 Manitoba Hydro appeared to  
5 say it had a facilities condition index, weren't sure  
6 if -- if it was in an accessible form. And then we --  
7 you remember our discussion of Monday when the -- the  
8 conversation got even perhaps more muddled.

9                   They did provide that document. It's  
10 Manitoba Hydro Exhibit 128. So there is -- I haven't  
11 had a chance to share this with my experts, so it is MH  
12 Exhibit 128. I think it was filed yesterday, and I  
13 appreciate Manitoba Hydro's courtesy in doing so.

14                   So you see some sort of FCI measure.  
15 They're looking at cost of building renovation required  
16 versus current replacement value. And there's a score.  
17 Zero to 10 percent is good -- very good, 61 percent to  
18 100 percent is replace.

19                   But again, as we suspected, there's not  
20 much of a reliability agenda here. And that doesn't  
21 mean these are bad investments. That doesn't mean you  
22 shouldn't be putting money in buildings. But our  
23 client sees this as a bit of a non-sequitur in the  
24 reliability agenda and wonders whether the pacing of  
25 these investments might have been different.

1                   On to slide 62. From our client's  
2 perspective at least, we take the position on behalf  
3 our clients that there's some challenges here yet in  
4 capital asset planning.

5                   Appendix 4.2 does not approximate the  
6 quality of the analysis found in Kinectrics. It does  
7 not approximate the quality that this panel and Hydro  
8 executives should be entitled to. Generally, we would  
9 submit that it presents conclusions without analysis.  
10 With rare exceptions, does not outline key parameters.  
11 And if you go through it, you -- there's a couple on  
12 the transmission side where they set in -- in the  
13 parameters, but generally, you won't find those  
14 parameters that I drew you to in terms of weighting  
15 before. And from our client's perspective, it's a bit  
16 of a stretch to call that an asset condition report.

17                   Next slide. Our client -- so that  
18 should be slide 63, please. I think I've -- I've  
19 confused both you and I, Diana. I'm turning backwards,  
20 too. Why does our client care? Again, we're not  
21 seeing the optimization process that we saw outlined by  
22 PowerStream. And I didn't take the time to draw you  
23 through that as much as I should have, but you can go  
24 back at -- at your leisure if you're really sick and --  
25 and go through that.

1                   But we don't -- we're not seeing the  
2 integration or trade-offs between maintenance,  
3 including vegetative maintenance, and capital  
4 investment, yet we point out tree contact is the  
5 second-most prevalent contributor to SAIFI and SAIDI.  
6 We're not seeing much of a -- evidence of the choice  
7 between optimized and deferred as identified by  
8 Kinectrics. We're definitely not seeing the identified  
9 relationship with performance out -- outcomes that  
10 PowerStream drew us to.

11                   We haven't seen the working papers to  
12 demonstrate vigorous, evidence-based alternatives.  
13 We've taken a quick look at the response to Undertaking  
14 27. That's not what our client was expecting to see,  
15 and in our client's view, that's not evidence of the  
16 alternatives analysis we would have expected. And in  
17 our client's view, it's difficult to envision an  
18 apples-to-apples comparison across business units,  
19 given the disparate state of development. And the --  
20 and you saw the -- the parameters on the generation and  
21 transmission side, and then you look at -- at the  
22 distribution side.

23                   Slide 65. Oh, sorry, go back to slide  
24 64. Our client does draw an adverse inference and an -  
25 - you may choose to or not from the fact that we had to

1 drag a lot of this information out of Manitoba Hydro.  
2 The Kinectrics report, which we think is very valuable,  
3 was not filed originally, and did not appear till the  
4 Second Round Coalition-53. The weighting and  
5 parameters which we consider a considerable document,  
6 important document, again, not till the Second Round.  
7 And that really is the type of document that should be  
8 in the First Rou -- should be in the original filing.

9           There was a -- a bit of a helpful risk  
10 analysis which didn't appear till Coalition-II-49.  
11 Again, not the sophistication we see in other  
12 jurisdictions, but providing some in -- insight. And  
13 again, we just point to why we were interested in the  
14 building's budget.

15           Just to slide 65 for a moment. In  
16 Manitoba Hydro's presentation, I don't know if you can  
17 remember all the way back to early June when they  
18 talked about turnover rates. And, you know, how it was  
19 going to take a hundred and fifty-three (153) years to  
20 address these turnover rates.

21           And so our client got interested and --  
22 and we said, Well, tell us how you did this  
23 calculation. And we asked transmission to substantiate  
24 its calculation in the Information Requests. And if  
25 you go to Coalition response I-88(d), transmission was

1 unable to do so. And I put the same question to Dr.  
2 Swatek on June 4th: Can you show us how you calculated  
3 this? And again, at pages 1,299 to 1,301, they weren't  
4 able to do so.

5                   So somehow they calculate a turnover  
6 rate. We think our client is entitled to proof or  
7 evidence of the calculation. We think the Board is --  
8 it -- it was -- they were not able to provide it.

9                   Just another issue with the transmission  
10 side. There may be a good reason, but you'll note in  
11 the -- I think it's 2016/'17, they're looking at  
12 spending a lot on -- on steel structures, and those may  
13 well be justified expenditures. But Kinectrics gave  
14 advice to Manitoba Hydro in terms of tran -- the steel  
15 structures.

16                   They said, You should up your game in  
17 terms of how you monitor these assets. You should do  
18 ultrasonic inspections of buried footings, not that I  
19 know what that means. You should also be looking at  
20 steel structure climbing inspections.

21                   And I put to Dr. Swatek whether they  
22 were undertaking this, and you'll see at pages 1,242 to  
23 1,244, he gave me a -- a very interesting explanation  
24 of how they look at them through binoculars and do  
25 things like that, but that they're not doing what

1 Kinectrics advised.

2                   And these are assets worth not hundreds  
3 of millions, but they're in the billions. And so that  
4 is of some concern to our clients. Good advice from  
5 Kinectrics that we -- we weren't confident was being  
6 followed, and it appeared to us was not being followed.

7                   Hydro did respond to Undertaking 26. We  
8 learned that this morning. But it is the -- it is  
9 totally accidentally mislabeled as Undertaking 27. So  
10 that -- we didn't get a lot of insight from that  
11 response, but I -- I shouldn't leave you with the  
12 impression that they -- they didn't respond. We got  
13 that yesterday. I -- I didn't realize it till I  
14 followed it up with Manitoba Hydro. Oh, I actually  
15 think they followed it -- filed it earlier, but it was  
16 under -- it was inadvertently mislabeled.

17                   Slide 67's an important one, because the  
18 evidence of robi -- bust pacing and prioritization, in  
19 our client's view, is modest. We have talked about the  
20 hundred million dollar jump in -- in IFF14. We note,  
21 and there's a good PUB Information Request I-19(g),  
22 detailing the development of these budgets.

23                   And our client has not seen the analysis  
24 that would justify that jump. Our client really --  
25 we're not saying that these investments aren't prudent.

1 Our client is absolutely unable to form an opinion.  
2 We're not seeing the type of analysis that we would  
3 have -- expect in a modern, strategic planning  
4 exercise.

5                   We will note, and you'll -- we expect  
6 that Manitoba Hydro will say on Friday that, Well, we  
7 went to IFF14. We went to that big jump because we had  
8 new information. They had that asset distribution  
9 report, Appendix 40, in 2012. They had Kinectrics in  
10 2012 saying, Well done, on the transmission side.

11                   And if you go to Appendix 4.2, you'll  
12 see lots of traces of Kinectrics in that report.  
13 You'll see it in the methodology section for  
14 transmission. You'll see it on page 36. For some  
15 reason, that page rings a bell. They don't call them  
16 Kinectrics. They call them the -- the 2012 study, or  
17 the external study.

18                   Well, let's go to slide 69. What do we  
19 know about Hydro's system performance? And again, our  
20 client is not saying, We're not making a judgment on  
21 the prudence of these investments. We don't have the  
22 analysis to -- to make a conclusion. We do know that  
23 Hydro continues to rank in the top quartile in  
24 distribution performance.

25                   That's SAIFI and SAIDI -- and those are

1 the distribution metrics. We do know there are some  
2 issues on generation with the smaller units, like  
3 Pointe du Bois performing worse, although the larger  
4 generation assets on the Nelson River con -- continue  
5 to perform above the Canadian average.

6 But generation's not where we're seeing  
7 the big jump from 2013/'14 to '14/'15. It's  
8 distribution. So the top quartile performer is -- is  
9 where the big jump is. And Mr. Morin should be proud  
10 of that, but we're not seeing the analysis to support  
11 that.

12 Slide 70, you've -- and, Diana, I'm  
13 going to ask you, if you can, to pull up  
14 Coalition/Manitoba Hydro-I-87(b), First Round 87(b).

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: And again, this is  
19 about where the computer crashed or else you would see  
20 it on the page. First Round 87(b).

21

22 (BRIEF PAUSE)

23

24 MR. BYRON WILLIAMS: If you could --  
25 could you scroll up? Okay. You will have seen a

1 display that looks something like this in Manitoba  
2 Hydro's filing. But this will look a little unfamiliar  
3 to you, because if you were looking at it in Manitoba  
4 Hydro's application, if you went to that 2012 year,  
5 that red and blue bump wouldn't be at the -- at the  
6 level that it would be -- at -- where they currently  
7 are. They'd be up almost at the one point seven (1.7)  
8 on the right-hand side, the one (1) -- one fifty (150)  
9 on the left-hand side. That bump would be a lot  
10 bigger.

11 Both are accurate documents, but what we  
12 did, or frankly, our consultants did in this one is  
13 say, you're telling us that 2012 was a really bad year.  
14 Make a -- do the weather adjustment. Do what  
15 PowerStream does and take out the major weather events.  
16 And all of a sudden -- and I invite you to take this  
17 document and compare it back to Manitoba Hydro's  
18 filing. I would have done that if the computer  
19 wouldn't have crashed. But look at that 2012 year.

20 And you're going to see at the -- in --  
21 in Hydro's documentation it's a lot higher. Both are  
22 legitimate perspectives. But our client would have  
23 looked for a more sophisticated analysis like  
24 PowerStream does, do the weather adjustment, or put  
25 both in. And so we don't take issue with Hydro's --

1 the -- the lines. Those are what they are if you don't  
2 take out the major weather events.

3                   But if you go to the PowerStream  
4 approach, which is to adjust for what you can control  
5 and what you can't, you get a picture that 2012 was not  
6 a good year, but it's not the year that you saw in the  
7 initial Hydro filing. That doesn't mean that there  
8 aren't some negative performance trends here.

9                   We know Hydro is still in the top  
10 quartile, but, you know, we're not taking issue with  
11 the need to stay on top of these issues. We're just  
12 trying to add a bit of perspective.

13                   Go to slide 71, please. Please do not  
14 miscontrue -- miscontrue what our client is saying.  
15 We're not saying take the axe to sustaining capital.  
16 We're not saying it should des -- decimated. We're  
17 saying it's important, but it has to be evaluated from  
18 a perspective of budget, performance, and risk. That  
19 since 2004 the Board has been saying, Explain to us how  
20 you manage this.

21                   Hydro was first asked to produce an  
22 asset health assessment in 2008. It has potential  
23 access to some of the best minds in the business. And  
24 clearly, Kinectrics is a well-regarded vendor. In our  
25 client's view though, it came unprepared to

1 substantiate either its basic spender of four seventy  
2 (470) or the very significant growth in 2014/'15.

3                   You got the pitch. Did you get the  
4 plan? I'm doing it again, I'm sorry. Well, I like  
5 that line, so I'm going to repeat it. You got the  
6 pitch. Did you get the plan?

7                   Manitoba Hydro will come in on Friday  
8 and say, We got new information. That's where the 2014  
9 significant growth comes from. I'm not sure where that  
10 new information is. It's not Appendix 4.2. Those are  
11 charts. That's not analysis.

12                   Both the distribution study and  
13 Kinectrics 2012 were available to Hydro when the  
14 predecessor, IFF13, was prepared. And here -- here's  
15 Ms. Bauerlein, who's -- like all Hydro witnesses is a -  
16 - was forthright on this point, telling us, We didn't  
17 think we were putting the public in peril when we  
18 brought in CEF13 or CEF12.

19                   So we're just trying to put some  
20 perspective on these very significant increases. So  
21 going to slide 73, our client is unable to conclude  
22 whether the proposed magnitude of investment in  
23 sustaining capital in fiscal 2014 and '15 and fiscal  
24 2015 and '16 is prudent or reasonable. We suggest the  
25 Board make that same conclusion.

1           We suggest that Manitoba Hydro be  
2 directed to provide a robust asset health assessment  
3 and robust capital asset management strategy for the  
4 next general rate application.

5           And one (1) of my client's failings, or  
6 really their lawyer's failing, in 2008 and 2013 is we  
7 asked for the health assessment. We didn't ask for the  
8 second part of the equation, the strategy, the plan,  
9 the explanation that -- that PowerStream runs through.

10           And we're suggesting that both should be  
11 requested, and that, given that Manitoba Hydro, to its  
12 credit, is bringing in Kinectrics to assist on the  
13 transmission and distribution side, that it should be  
14 directed to report back in terms of any assessments on  
15 a timely basis, and ideally for the next GRA.

16           Members of the panel, this appears in  
17 the letter that we -- or the letter, the -- the written  
18 submissions that we provided. But we've all  
19 collectively got a lot of learning to do on this. At  
20 least certainly our client has, and I guarantee you  
21 their lawyer has.

22           One (1) of the things we'd like to do,  
23 and perhaps this will make Mr. Rainkie happy in that I  
24 hope we can avoid a lot of Information Requests, is we  
25 think there's a real opportunity for this side to -- to

1 avoid the IRs and really come in with a more robust  
2 filing in the next hearing.

3                   And you've heard MIPUG talk about the  
4 OEB filing guidelines. So here's our client's  
5 recommendations in terms of recommended filing  
6 requirements, similar to some of the learnings we have  
7 from US jurisdictions and from the OEB.

8                   So we're asking for asset management  
9 inputs, explanation of how the risk performance and  
10 budget targets were used. There's a commentary there,  
11 and just to look to the bottom of the paper -- page,  
12 we're looking for insight into the alternative spending  
13 scenarios considered in the process and information of  
14 that quality.

15                   That's where I think the Board can begin  
16 to start to take comfort in these expenditures when  
17 it's seen some insight into the tradeoffs that Manitoba  
18 Hydro may or may not be under -- considering.

19                   Again, item number 2, an asset  
20 management flowchart and time line -- we saw an example  
21 of that from PowerStream -- an asset health index, and  
22 including the variables used in each index, the weights  
23 assigned.

24                   Remember we went to Coalition 2-52. We  
25 saw a very sharp distinction between transmission and

1 distribution. And that's that type of insight that we  
2 think is important. A report card with charts without  
3 an insight into the inputs and the weights and the  
4 tradeoffs is of very limited utility, in our client's  
5 respectful view.

6                   What are the plans? And (d) is  
7 focussing on the need to explain how capital  
8 expenditures are integrated with maintenance and  
9 operational choices. And you did hear good evidence  
10 from Manitoba Hydro on, you know, Mr. Read's staff  
11 crawling amongst turbines and trying to keep things  
12 going.

13                   Modern capital asset management planning  
14 needs to look at not just the capital expenditure, but  
15 the maintenance and the operational expenditure. And  
16 that's what you saw in PowerStream, at least some  
17 discussion and that's what we would be seeking in a  
18 requirement -- as a pre-filing requirement.

19                   'E', which is on slide 76. This might  
20 be a be -- bit -- bit controversial, but we certainly  
21 would be looking for the models used by the Company.  
22 If there are proprietary information then the -- our  
23 clients would suggest we look at a process in terms of  
24 accessing that. The models are -- are really  
25 important. And -- and if it's a -- a -- certain models

1 that are out in the public domain our consultants can  
2 get a handle on what Hydro's doing because they know  
3 how the -- the model works. And you -- you know, you -  
4 - you saw how PowerStream explained how it used copper  
5 -- Copperleaf.

6                   Again, here's the request for  
7 engineering reports. We -- we put this in to -- we --  
8 we think this would assist the process. And -- and to  
9 the extent that Hydro's got all this or again, there's  
10 different ways to package it. But these are the type  
11 of requirements that our client would recommend the  
12 Board consider.

13                   Mr. Chair and members of the panel, I'm  
14 hoping that you're sick of me by now and that I do have  
15 some other sections to go through. I assure you that  
16 the bulk of the work was done. Recognizing the time we  
17 still have to finish our -- our PowerPoint because  
18 we've got about -- a number that weren't. I'll try and  
19 -- we'll try and move more quickly. These were kind of  
20 the three (3) core areas that our client really wanted  
21 to concentrate on for the panel. But I still expect,  
22 subject to the Board's guidance, about an hour and a  
23 half tomorrow.

24                   THE CHAIRPERSON:    Tomorrow.   Okay.  
25 Well, it is what it is. You know, frankly I'm very

1 concerned about the amount of time that will be  
2 available to Manitoba Hydro to -- to prepare its  
3 closing arguments. And --

4 MR. BYRON WILLIAMS: So -- so what  
5 would you recommend, Mr. Chairman?

6

7 (BRIEF PAUSE)

8

9 MR. BYRON WILLIAMS: Mr. Chairman, if -  
10 - what I -- I could do is -- well -- well, let me be  
11 blunt. If the panel says I've got an hour, I'll use an  
12 hour. I'll -- I -- I think I could use -- I just know  
13 how the rest of my argument is structured. Right now  
14 it -- it will -- it will take longer, but I'll -- I'll  
15 tighten up. But we'll make sure you -- that you get  
16 the PowerPoints to support our -- our argument. So  
17 we'll be -- we are subject to the Board's direction.

18 THE CHAIRPERSON: I'm less concerned  
19 about the Board itself tomorrow morning than I am about  
20 whether or not -- are those slides available? Would  
21 you be able to share them with Manitoba Hydro tonight  
22 so that at least they can see what -- where you're  
23 going?

24 MR. BYRON WILLIAMS: Happily, as soon  
25 as they're done. Remember, like, we -- I haven't been

1 back to the office. We had the -- so I had just  
2 finished a section and I'm not sure what got saved.  
3 I'm -- I'm not sure what happened, so.

4 THE CHAIRPERSON: I mean, it would --  
5 it's not the ideal, but if you could share them tonight  
6 with Manitoba Hydro at least they --

7 MR. BYRON WILLIAMS: As soon as they're  
8 done, Mr. Chairman, we'll --

9 THE CHAIRPERSON: Okay. That would be  
10 great. Because then it will give Manitoba Hydro an  
11 opportunity to consider those and -- and prepare its  
12 closing arguments with more time available. I'm -- I'm  
13 -- Mr. Czarnecki, do you have any comments or...

14 MR. BRENT CZARNECKI: Mr. -- Mr.  
15 Chairman, you're hitting on one (1) of the points I  
16 wanted to raise and I discussed it briefly with Mr.  
17 Peters at the break that I think Ms. Van Iderstine  
18 spoke of it, too. That so long as we have the  
19 appropriate window of time to fully prepare for our  
20 Friday submission we would do that and didn't object to  
21 MIPUG going tomorrow morning. And now My Friend is  
22 going to extend into that.

23 We certainly will try our best, but one  
24 (1) of the things I proposed to Mr. Peters was if Hydro  
25 wasn't in a position to provide its full argument,

1 which would include a written piece and a PowerPoint  
2 presentation, that hopefully if our human health index,  
3 if there's such a thing, enables it we'll do the oral  
4 portion on Friday afternoon as planned, and then later  
5 submit once it is finalized and completed, the written  
6 entire portion the -- early the following week, if  
7 that's possible.

8 THE CHAIRPERSON: We had an opportunity  
9 to discuss that at the break, and we concluded that  
10 would be a -- a viable solution from our perspective.  
11 So I'm assuming that the other parties are in it -- you  
12 know, don't object. But if they do object, I'd like to  
13 hear about it now.

14 MR. BYRON WILLIAMS: I'm not objecting.

15 THE CHAIRPERSON: Mr. Orle, Mr. Masi,  
16 any concerns?

17 MR. GEORGE ORLE: Mr. Chair, no  
18 concerns.

19 MR. TOMAS MASI: No concerns, Mr.  
20 Chair.

21 THE CHAIRPERSON: Thank you, Mr. Masi  
22 and Mr. Orle. Thank you very much. So that sounds  
23 like a plan. Mr. Czarnecki, please...?

24 MR. BRENT CZARNECKI: Just one (1) last  
25 thing. I do have the last undertaking to file, and

1 this relates to the MIPUG Exhibit number 14. Ms.  
2 Fernandes had a chance to speak to Mr. Hacault, and he  
3 did not object to us putting forward the corrected  
4 information, at least from Manitoba Hydro's  
5 perspective. So I'm prepared to file that right now as  
6 Manitoba Hydro Exhibit number 130, 130.

7

8 --- EXHIBIT NO. MH-130: Response to MIPUG Exhibit  
9 14

10

11 THE CHAIRPERSON: Thank you. And, Mr.  
12 Peters, Mr. Hacault has indicated that he needs how  
13 much time tomorrow?

14 MR. BOB PETERS: You've learned long  
15 ago, Mr. Chairman, that lawyers tend to be vague about  
16 giving precise time estimates, and you've seen why.  
17 Mr. Hacault, last he and I spoke, my understanding was  
18 that he was in the two (2) to three (3) hour range.  
19 And I'm not sure of how he has progressed today. I  
20 haven't been able to contact him.

21 And I -- I would budget that for  
22 tomorrow. And that would take us till -- well, if I  
23 say three (3) hours for MIPUG and another hour or hour  
24 and a half, it will take us into the early afternoon,  
25 with or without a lunch break.

1 THE CHAIRPERSON: I wonder if you could  
2 ask -- contact Me. -- Me. Hacault tonight, and -- and  
3 ask him whether he'd be prepared to share his overheads  
4 with Manitoba Hydro tonight, if possible?

5 MR. BOB PETERS: I'll do that before I  
6 leave tonight.

7 THE CHAIRPERSON: Thank you. So with  
8 that, we'll -- we'll adjourn for the day. I appreciate  
9 your patience, and your -- your fortitude. Thank you  
10 very much, everyone. And we'll see each other again  
11 tomorrow morning at nine o'clock. Thank you.

12

13 --- Upon adjourning at 5:48 p.m.

14

15 Certified correct,

16

17

18 \_\_\_\_\_

19 Cheryl Lavigne, Ms.

20

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