MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA HYDRO COSS WORKSHOPS

Before Facilitator: Bill Grant

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

May 13, 2016

Pages 629 to 898

TSCRIPT.COM™ Digital Transcription Services
"When You Talk - We Listen!"

1 APPEARANCES

2 Regis Gosselin)PUB Board
3 Marilyn Kapitany)
4 Rick Bell)
5 Hugh Grant)
6
7 Bob Peters)Board Counsel
8 Sven Hombach)
9 Brady Ryall)consultant
10 Mary Neal)Daymark Consultant
11 John Athas)
12 Daniel Peaco (np))
13
14 Odette Fernandes)Manitoba Hydro
15 Janelle Hammond)counsel
16
17 Antoine Hacault)MIPUG
18 Patrick Bowman)
19
20 Byron Williams)Consumer Coalition
21 Alex Nisbet)
22 Bill Harper)
23
24
25

1 APPEARANCES (Con't)

2

3 Bill Gange	)Green Action Centre
4 Peter Miller	)
5 Paul Chernick	)
6	
7 George Orle	)MKO
8	
9 Christian Monnin	)GSS/GSM Group
10 Michael Weinstein	)
11 Jarome Leslie	)London Economics
12 Ian Chow	)International
13	)Consultant
14	
15 John Todd	)City of Winnipeg
16	
17 Terrance Delaronde (np)	)Manitoba Metis
18	)Federation

19

20

21

22

23

24

25

TABLE OF CONTENTS

	Page No.
List of Undertakings	663

MANITOBA HYDRO PANEL (DSM, DISTRIBUTION, & OTHER ISSUES, INCLUDING TERMS AND CONDITIONS AND EXTENSION POLICY):

KRISTIN BRAID, Sworn
DARREN RAINKIE, Previously Sworn
GREG BARNLUND, Previously Sworn
TERRY MILES, Previously Sworn
KELLY DERKSEN, Previously Sworn
MICHAEL O'SHEASY, Previously Sworn
ROBERT CAMFIELD, Previously Sworn

Presentation by Manitoba Hydro	640
Questions by Green Action Centre	661
Questions by City of Winnipeg	711
Questions by General Service Customers	759
Questions by MIPUG	776
Questions by Consumer Coalition	837
Questions by Board Consultant (Daymark)	871
Certificate of Transcript	898

LIST OF UNDERTAKINGS

NO.	DESCRIPTION	PAGE NO.
11	Manitoba Hydro to provide detail of the cost difference among the three (3) types of poles	697
12	Manitoba Hydro to provide data on length of secondary cable	702
13	Manitoba Hydro to clarify whether table shows conductor length for service drops, for all overhead distribution including service drops, or overhead distribution not including service drops	706
14	Manitoba Hydro to indicate the number of nightime hours to determine coincident peak and non coincident peak	740
15	Manitoba Hydro to provide Excel file with annual average load profiles by customer class for years 2012/2013 and 2013/2014	770
16	Manitoba Hydro to provide Schedules B2 and B3 without the net revenue being deducted	777

LIST OF UNDERTAKINGS (Con't)

NO.	DESCRIPTION	PAGE NO.
17	Manitoba Hydro to explain what Planned Orders by SCC is and why it would add to a different number	782
18	Manitoba Hydro to provide a redacted copy of the operating agreement	833
19	Manitoba Hydro to indicate how the direct and indirect costs are calculated and the incremental costs are calculated; what methodology does Manitoba Hydro use to be able to calculate those costs; if those incremental costs are included in the cost of service study, and if so, how they're included in the cost of service study	834
20	Manitoba Hydro to provide system planning report, SPD 2012/03, a Souris transformer capacity enhancement study	835

LIST OF UNDERTAKINGS (Con't)

NO.	DESCRIPTION	PAGE NO.
21	Manitoba Hydro to provide a list of assets that were moved out of subtransmission into distribution	854
22	Manitoba Hydro to provide website link to schedule of additional charges	867
23	Manitoba Hydro to provide monthly capacity factor data for the following individual stations, Kettle, Long Spruce, and Limestone for five (5) different year, fiscal year 2002/2003, 2003/2004, 2013/2014, 2014/2015, and 2015/2016	873
24	Manitoba Hydro to provide the following in Excel format: Attachment to PUB IR number 5; table listed in response to PUB IR number 30, Part C; PUB IR number 60, Part D; PUB IR number 6, Part A; and five (5) tables in response to PUB IR number 70	879

LIST OF UNDERTAKINGS (Con't)

NO.	DESCRIPTION	PAGE NO.
25	Manitoba Hydro to explain, in Schedule C6 and C8, the basis for distribution and operating costs being refunctionalized from subtransmission to distribution	884
26	Manitoba Hydro to provide an explanation of how the net regulated/intangible costs that are functionalized to distribution are then classified and allocated; whether that's proportional to all categories of distribution costs, or whether it -- it's classified entirely as customer-related, or some other way	886
27	Manitoba Hydro, in regards to splitting costs between primary and secondary, indicate how did it derives that breakdown of cable? Are those costs tracked separately in the SAP, or was this some sort of allocation?	887

LIST OF UNDERTAKINGS (Con't)

NO.	DESCRIPTION	PAGE NO.
28	Manitoba Hydro, in regards to IR-21, the table on page 3, is to answer the following questions. How was the weight factor derived? Can a GSL customer have more than one (1) meter with the loads being aggregated for billing purposes? How are those costs dealt with, the cost of the meters in diesel areas direct assigned, or how are they dealt with in the cost-of-service study? Provide an explanation: In regards to the customer totals for various classes, the total number of customers in that calculation does not equal the forecasted number of customers shown in the right-hand side of the table, and the same is true for the weighted customers, the number of meter readings	889

LIST OF UNDERTAKINGS (Con't)

NO.	DESCRIPTION	PAGE NO.
29	Manitoba Hydro, in regards to PUB-33C, which concerned our beloved line extension policies, indicate if the current line extension policies had been in effect for only a few years, or for many decades, or for what period of time	890
30	Manitoba Hydro to answer the following question: In regards to the cost-of-service study, in the tab called Average Rate Base Finance and Reserve, there's $122 million of motor vehicle rate base that seems to disappear; where did it go, and where can the costs be found in other parts?	891

1 --- Upon Commencing at 9:05 a.m.

2

3 THE FACILITATOR: Well, all right.

4 Let's get going, as today we have other issues

5 including demand-side management. And before we have

6 the introduction from Manitoba Hydro I see another

7 face -- new face on the front row here, so Kurt will

8 want to swear her in.

9 MS. KELLY DERKSEN: Yes, we've got one

10 (1) additional individual joining the panel and her

11 name is Kristin Braid and she's the Distribution

12 Engineering Department Manager for Winnipeg.

13

14 SEAN WILL FILL IN:

15 KRISTIN BRAID, Sworn

16 KELLY DERKSEN, Previously Sworn

17 GREG BARNLUND, Previously Sworn

18 MICHAEL O'SHEASY, Previously Sworn

19 ROBERT CAMFIELD, Previously Sworn

20

21 THE FACILITATOR: All right. Kelly,

22 over to you.

23

24 (BRIEF PAUSE)

25

1 PRESENTATION BY MANITOBA HYDRO:

2 MS. KELLY DERKSEN: I'm a little

3 disorganized this morning. Two o'clock made me get up

4 really late this morning, so I'm struggling here a

5 little bit. In terms of the presentation here this

6 morning I think I'm going to circle back and I might

7 take a couple of extra minutes this morning just to

8 maybe bring back some of the discussion at a very high

9 level from the last couple of days.

10 I think it might be helpful for our

11 discussion today and that was sort of the method to my

12 madness. Some of the -- we've added two (2) new

13 slides to our presentation to help facilitation that

14 discussion, I hope. They're a little bit

15 disorganized, but perhaps you could just bear with me

16 a little bit.

17

18 (BRIEF PAUSE)

19

20 MS. KELLY DERKSEN: I thought I'd

21 start here. And this provides a nice picture, I

22 think, of the end result of the cost allocation study.

23 And we have been talking in the last -- last day or

24 so. And -- and, Bill, you asked me a question in

25 particular yesterday about the functionalization

1 process. And -- and, you know, I said I sort of was a
2 little bit dismissive of the functionalization
3 process.
4 I think it's somewhat fair, at least at
5 the generation and transmission level, from that
6 perspective, and -- but perhaps I was a little unfair
7 to Mr. Bowman. And so that's why I wanted to circle
8 back here.
9 From the perspective that generation
10 and transmission assets are put in place and all
11 customers make use of those assets, the
12 functionalization process at Manitoba Hydro for those
13 two (2) pro -- for those two (2) functions is of
14 lesser consequence. And -- and that was what I was
15 trying to say.
16 If you are to look at a cost allocation
17 study and its results in other jurisdictions though,
18 you have to be very cautious of doing that because you
19 don't entirely know, for example, how generation-
20 related transmission is treated if it's sitting in the
21 generation pool of assets or if it's treated as
22 transmission.
23 And so it's important to have that
24 understanding before you even understand or go to the
25 classification and allocation phase because that

1 information will help you understand why perhaps a
2 certain classification allocation methodology is
3 chosen.
4 We have talked about the fact that both
5 generation and transmission investment ter -- serves
6 two (2) roles, one (1) with respect to energy, the
7 second with respect to demand. That's somewhat
8 contentious.
9 Manitoba Hydro has put on the record
10 that for generation-related investment it's more
11 driven by energy, and so we choose an allocator that
12 we think is commensurate with that choice.
13 With respect to transmission, we have
14 the same issue, and that is do you have a heavier
15 weighting of demand or energy. Our 2CP allocator is
16 class -- excuse me, fu -- transmission is classified a
17 hundred percent as demand, but that's not the whole
18 story. The whole story is that transmission is --
19 first of all, we've taken out certain components of
20 what visually looks like a pole and wire and we've put
21 them in generation.
22 Secondly, with respect to classifying
23 on the basis of a hundred percent demand, if you look
24 at the allocator, which is a 2CP allocator, it -- even
25 though we've classified a hundred percent as demand,

1 the 2CP allocator, because it has essentially a
2 hundred peak periods that it includes in that -- in
3 that allocator, it has some energy attributes.
4 And so where I'm going with this
5 discussion is we will have that same discussion with
6 respect to subtransmission and distribution plant as
7 well as distribution customer service. And so there -
8 - it's -- it's not clean. It's not -- there's always
9 a choice between energy demand and customer. And we
10 will see that and we will talk about that this morning
11 in terms of subtransmission and distribution plant,
12 and also to customer service.
13
14 (BRIEF PAUSE)
15
16 MS. KELLY DERKSEN: I may circle back
17 to this slide, but for now, I'll move on.
18
19 (BRIEF PAUSE)
20
21 MS. KELLY DERKSEN: So we're first
22 going to talk about DSM.
23
24 (BRIEF PAUSE)
25

1 MS. KELLY DERKSEN: The primary
2 objectives of DSM, or as we have identified on this
3 particular slide, we've pulled that out of one (1) of
4 the Information Requests that has been prepared in
5 this proceeding. Number 1:
6 "To meet the energy needs of the --
7 the Province in the most economic
8 and sustainable manner."
9 And secondly:
10 "To assist customers with the
11 managing of their energy bills."
12 For cost-of-service purposes, we
13 allocate -- or directly assign DSM cost to each of the
14 customer classes based on their forecasted
15 participation in a particular DSM program. So it's
16 based on -- it's directly assigned based on class
17 participation. In terms of total expenditures today,
18 at least with respect to PCOSS14, we're talking order
19 of magnitude of about $40 million annualized.
20 We know that the investment with
21 respect to DSM is expected to increase in the upcoming
22 number of years, is my understanding, order of
23 magnitude, $100 million. That's the investment we
24 amortize DSM investment over a period of -- of ten
25 (10) years today. So a tenth of that cost every year

1 is -- is brought into -- into rates, essentially.

2 We allocate DSM expenditures on the

3 basis of class participation because it's, from our

4 view, the most cost causal approach. It aligns the

5 cost of the programs with the classes that participate

6 in -- in those programs. And it places cost

7 responsibility with those who cause it and can

8 influence it.

9 And if there was such a thing as cost

10 allocation school, the first thing that you would

11 learn is that, to the extent reasonable and practical,

12 you can directly assign a cost to a customer or a

13 group of customers. That's sort of the golden rule

14 that we -- that we operate under. And so it's the

15 superior cost allocation treatment.

16 There's a 'but' coming. And the but is

17 there is also a good argument to be made or that could

18 be made that DSM may be viewed as a substitute for

19 generation and transmission. And possibly also for --

20 for distribution. And one then, from a cost

21 allocation perspective, could say, If that's the -- if

22 that's the view, then you would take the cost with

23 respect to DSM and you would allocate it on -- on some

24 basis in proportion to -- to that investment, in -- in

25 proportion to those resources that it is a substitute

1 for.

2

3 (BRIEF PAUSE)

4

5 MS. KELLY DERKSEN: It would have to

6 be viewed, though, if that's -- if that's the

7 preferred view in terms of treating DSM expenditures,

8 that you're moving off of cost causation. And it

9 becomes a -- really, in an effect, a policy decision.

10 The policy decision is because everyone

11 benefits, all customers benefit, notwithstanding the

12 specific customers that partake in the programs

13 themselves, but because all customers benefit from the

14 fact that you're able to defer generation and

15 transmission.

16 That's -- that's a policy dec --

17 decision, and it's a non-cost causal, at least in the

18 mind of a cost analyst. So it just has to be

19 recognized as that.

20 Manitoba Hydro's perspective has been,

21 and -- and continues to be that it's -- it's

22 theoretically, from a cost allocation perspective,

23 superior to allocate costs based on class

24 participation, based on cost causation, because it

25 best aligns those who partake in the programs with

1 their -- let me say it a different way.
2 Those who caused the cost benefit from
3 the fact that they can -- that they can influence it.
4 And so, from that perspective, it's viewed superior
5 from Manitoba Hydro's perspective.
6 There are also a couple of issues that
7 you can run into if you move away from that approach.
8 And that's what part of this slide is attempting also
9 to say, and that is we -- we can -- the effect of DSM
10 on class use of -- of resources, in other words,
11 generation and transmission in particular, isn't
12 necessarily aligned with the class's share or the
13 class's allocation of those resources.
14 And so, for example, Manitoba Hydro may
15 have programs directed at certain customer classes
16 more heavily than other customer classes. And so, for
17 example, the industrial customers may not have many
18 programs aimed at them.
19 They may undertake their own DSM
20 activities at -- at their in -- at their sites, but
21 are -- don't have the opportunity to participate in
22 those -- in DSM programs to the extent that other
23 customers do.
24 And in the -- in the case that we're
25 talking about, if you were to make the decision that

1 you would view DSM as a substitute for generation and
2 transmission, for that group of customers, for those
3 kinds of customers, you would assign a fair amount, or
4 you -- the result is that you would assign a fair
5 amount of DSM cost to those customers.
6 And yet they don't participate in -- in
7 those programs by virtue of the fact that those
8 customer classes' primary allocated cost relate to
9 generation and transmission.
10 And secondly, we can experience timing
11 issues. And we have seen this in the past, and what
12 that is meant to say is that some customer classes in
13 the short term can benefit very significantly from
14 certain DSM programs and shift cost responsibility
15 away from their class by virtue of lesser use, which
16 is the whole goal of -- of DSM, and not having to pay
17 directly for that cost.
18 And so you can see fairly sizable
19 impacts on RCCs to certain customer classes as a
20 consequence. So we've come back again to -- to this
21 idea that, in the long run, it's expected that even --
22 even if you accept that DSM is a substitute for
23 generation and transmission, and possibly also
24 distribution, that the costs and the benefits over the
25 long-term are better ali -- better aligned through

1 direct allocation as we do today.

2 The one (1) issue in the past with

3 respect to DSM has been -- flowing out of 116/08 has

4 been this issue of because DSM frees up energy, frees

5 up capacity, that we are able to then sell in the

6 export market, that because exports benefit from

7 domestic customers partaking in DSM activities, that

8 those costs ought to be allocated to the export class.

9 And we've pulled out some discussion,

10 some good discussion, I thought, that Christensen put

11 on the record in one (1) of their responses to this --

12 to an Information Request, and that is that cost-of-

13 service allocates based -- cost based on cost

14 causation and not based on value.

15 And so from our perspective, from

16 Manitoba Hydro's perspective, and also, I believe,

17 consistent with CA's advice and perspective, that it's

18 not appropriate that DSM cost be assigned to exports

19 just because they benefit. They don't drive the cost.

20 It's the domestic customers who partake in the classes

21 that drive those costs.

22 This is -- turning our attention to a

23 new topic here, this is a slide that we've -- some

24 materials that Mike Dust and Marnie Van Hussen, who

25 have been able to find from the BC Hydro website.

It's here in this per -- in this slide intended to be for illustration only and I thought it was a nice visual.

It's maybe not as nice as our spider diagram from Dr. Swatek, but I think it gives -- will give us a better sense of the discussion that we're going to be having this morning. The numbers aren't there. Somehow they got missed in the -- in the slide, but about -- to the right of the diagram there there's a substation about mid -- about mid-page.

And that's really where the sub -- subtransmission function starts visually. And if that substation comes in at let's say two-thirty (230) and comes out at less than sixty-six (66) from a cost allocation perspective, we would allocate the entire cost of that substation as -- as subtransmission.

It's not that clean in -- in most cases. It's more often than not more complicated than -- than that, but visually that gives you a sense of -- of what we do.

(BRIEF PAUSE)

MS. KELLY DERKSEN: So subtransmission is the non-grid radial lines which transport power

1 from the AC meshed network that the transmission
2 system we've been talking about, to load centres, and
3 you can see that. I hope everyone's -- oh, I 'll just
4 use my mouse here.
5 So this is the substation I was talking
6 about. Subtransmission costs are approximately 3
7 percent of our revenue requirement. So they're not
8 substantial, they're not sizable. And if I could just
9 -- I want to come back to the slide, but if I...
10 I'd like just to turn our attention to
11 this slide to advance that -- that discussion. The
12 reason we functionalize costs is that -- is -- is
13 really about trying to put into broadly defined
14 buckets, if you will, costs based on the types of
15 service that the utility provides.
16 And the reason that becomes important
17 at the subtransmi -- subtransmission level, and also
18 at the distribution level, is because there are
19 certain customer classes that don't partake in that or
20 don't take service off of that part of the system.
21 And for cost allocation purposes, then it makes sense
22 that we would exclude them from the allocation of that
23 cost.
24 So the functionalization phase becomes
25 important when we start talking about subtransmission

1 and when we start talking about distribution because
2 we're trying to ensure that those customers that are
3 not using those portions of the system are excluded
4 from the allocation of that cost.
5 And so this slide here really tells us
6 which customer classes use which component of our
7 system, and so that -- that's what we're trying to get
8 out. And you see certain classes as you move towards
9 the right-hand side of this slide that are blank in
10 those particular cells. That's to suggest that they
11 don't partake in that service and for cost allocation
12 purposes; therefore, we do not assign -- assign that
13 cost.
14
15 (BRIEF PAUSE)
16
17 MS. KELLY DERKSEN: I may come back to
18 this slide, but -- but for now, I just want to give
19 you a visual of what it is that we're -- we're talking
20 about. I'll -- I'll see if I need to circle back to
21 this.
22
23 (BRIEF PAUSE)
24
25 MS. KELLY DERKSEN: From a cost

1 allocation perspective, we treat subtransmission costs
2 -- we classify them a hundred percent on the basis of
3 demand. We allocate those costs based on each cla --
4 each customer class's non-coincident peak.
5 So that means, whenever that class
6 peaks, regardless of when the rest of the system
7 peaks, is how we allocate cost to that particular
8 customer class. I understand that the use of an NCP
9 allocator for transmission plant is quite common in
10 the industry.
11 CA has advised that it is appropriate
12 to use NCP as an allocator for subtransmission cost.
13 They have also advised that it might be appropriate
14 that we investigate that further and reaffirm or -- or
15 otherwise the use of an NCP versus, let's say, a CP
16 allocator.
17 CA has also confirmed or advised,
18 because there will be some discussion this morning, in
19 their view, subtransmission is not driven by energy.
20 And so, in their minds, it would be inappropriate to
21 allocate subtransmission-related costs on some energy
22 allocator.
23 We've also done -- prepared some RCC
24 outcomes or illustrative RCC outcomes to say, okay, if
25 we were to move to some kind of CP allocator, and

1 let's take the -- the 2CP allocator, for -- for
2 instance, and we might want to weight it more heavily
3 to winter versus summer for subtransmission, none of
4 the export sales that we undertake make use of the --
5 this portion of the system, so exports have no bearing
6 on this particular cost.
7 But if we were to weight it a little
8 bit more heavily toward the winter than the summer,
9 here's -- here's what the potential impacts to each
10 customer class could be, and they're fairly
11 inconsequential. But nevertheless, for illustration
12 purposes, this is the type of impact that we could
13 expect based on those assumptions.
14
15 (BRIEF PAUSE)
16
17 MS. KELLY DERKSEN: Distribution
18 plant.
19
20 (BRIEF PAUSE)
21
22 THE FACILITATOR: You have five (5)
23 minutes or less.
24 MS. KELLY DERKSEN: Okay. I'll go
25 quickly.

(BRIEF PAUSE)

MS. KELLY DERKSEN: Oh. Distribution plant represents approximately 16 percent of total revenue requirement. And as you can see, it's -- it's approximately, on an annualized basis, about 280 million. Not all customer classes partake in that -- in that -- that service. And so not all customer classes are allocated that cost. We allocate -- sorry, I'm moving -- I'm jumping around here a little bit.

(BRIEF PAUSE)

MS. KELLY DERKSEN: This is the slide I wanted to get to. I thought that if we have to talk about anything, this is the one. This is sort of visually what we do with respect to distribution. Distribution substations are allocated a hundred percent -- or sorry, classified a hundred percent on the basis of demand, allocated on the basis of NCP, poles and wires, split sixty (60) -- sixty (60) to forty (40), line transformers a hundred percent demand, NCP, and service drops, as you can see.

We will get into a discussion today.

1 There's a theoretical argument that underpins some of
2 the discussion with respect to distribution plant, and
3 in particular, poles and wires. You will perhaps
4 appreciate by now that, you know, we had a discussion
5 yesterday to say from a generation and transmission
6 perspective, you know, how many different ways do we
7 treat poles and wires. And we talked about three (3)
8 different ways from -- from those functions.
9 We're going to add two (2) more to the
10 list: poles and wires from a subtransmission
11 perspective are allocated a hundred percent demand on
12 the basis of NCP. From a distribution perspective,
13 poles and wires are split 60 percent demand, 40
14 percent customer. So we actually treat poles and
15 wires five (5) different ways in a cost allocation
16 study -- in our cost allocation study. And again,
17 that's to recognize that there are different roles
18 that that infrastructure plays, dependent on which
19 portion of the system that we're talking.
20 And the challenge for poles and wires
21 in the case of distribution plant is -- the -- the
22 argument is what function does that serve, or what
23 role does that serve? And it's common in industry to
24 say -- to say that poles and wires serve two (2)
25 functions. Number 1 is those poles and wires have to

be suff -- sufficiently long and big enough to serve a -- a customer. And secondly, they have -- sorry, the -- the poles and wires have to be large enough in order to support the load that the customer is attached to.

And so there is discussion of how does one draw that point? And there are a couple of known methods in industry in cost allocation. In the cost allocation world, we talk about it from -- often from a minimum plant and from a zero intercept perspective. Those are just really theoretical exercises, if you will, if you have the data avail -- availability to be able to draw that line between what is demand related and what is customer related with respect to poles and wires. Not a whole lot diss -- dissimilar to -- to generation or transmission where we're trying to draw the distinction. And it's a theoretical one between, you know, between demand and -- and energy in -- in those two (2) cases.

(BRIEF PAUSE)

MS. KELLY DERKSEN: They're a little bit -- there -- there's a little bit more discussion with respect to area and roadway lighting, but I think

1 we could cover that likely in some of the questions
2 that will be raised.
3 BOARD MEMBER GOSSELIN: Could I ask a
4 very simple question? Could you use that BC Hydro
5 diagram and tell us at what point the distribution
6 would start in that diagram, and also talk about that
7 line that runs from the substation you described to a
8 factory?
9 MS. KELLY DERKSEN: I got the first
10 part of your question. I'll answer it, and then
11 you'll have to ask -- ask me the second one. I'm
12 having just a little hard time hearing you.
13 The distribution -- we talked about
14 this where -- where the mouse pointer here is as being
15 a -- a substation. This is the inner connection
16 between transmission and subtransmission.
17 If you follow -- oops, I've lost the
18 mouse here. Oh, there we go.
19
20 (BRIEF PAUSE)
21
22 MS. KELLY DERKSEN: If you follow this
23 line -- these lines here, that's still
24 subtransmission. This is likely, in the case of this
25 picture, a distribution substation, or at least from a

1 cost-of-service perspective, we would call it a
2 distribution substation if it comes in at a
3 distribution voltage -- or goes out at a distribution
4 voltage level.
5 And so I've made the assumption here
6 from a visual perspective that this is a distribution
7 substation. It would be treated as a hundred percent
8 demand. These here, the lines and poles that flow
9 from it, would also be distribution related, so that
10 these would be the poles and wires with respect to
11 distribution.
12 Now, this here is a customer facility.
13 It's not quite certain to me if this would be
14 distribution related, these poles and wires here,
15 feeding this specific customer. This specific
16 customer, at least visually, could look like a fairly
17 large customer, an industrial kind of customer.
18 It's possible that this be
19 subtransmission here also, and that -- that this
20 customer not partake in the distribution side of -- of
21 our plant. I'm making the assumption here that
22 they're fed directly off of the subtransmission
23 system.
24 BOARD MEMBER GOSSELIN: Let's assume
25 that that customer is the sole customer on that -- on

1 those lines from the -- from the -- the substation,
2 the first substation. What -- what point would the
3 customer be picking up the costs of -- of connecting
4 to the system, direct costs of connecting to the
5 sys...?
6 MS. KELLY DERKSEN: From a cost-
7 allocation perspective, what we would say is they
8 would pick up a portion of the sub -- of the
9 substation, the subtransmission substation.
10 They would also bear all the
11 responsibility of the -- the poles and wires that are
12 feeding into the facility, as -- as well as -- and it
13 depends on the customer class -- as well as any
14 investment that is made, let's -- let's say, with
15 respect to metering or other infrastructure at -- at
16 the facility.
17 It's not in all cases. There are some
18 customer classes that own and operate their own
19 transformation equipment. And in that case, they
20 would be excluded from those kinds of costs in cost
21 allocation.
22 There -- there's a -- a bit of a -- a
23 side issue I think that we'll hear about today, and
24 that is with respect to contributions and how that
25 that feeds in -- into cost allocation. I -- I'm not

1 certain if that's where you were going.
2 THE FACILITATOR: Thank you both.
3 Kelly, thanks as well for covering off on your slide
4 57, the other approach toward demand-side management
5 is perhaps a substitute primarily for generation, but
6 also a bit for transmission and distribution.
7 That's -- that's been my -- my
8 experience more seeing it that way, but I wonder for
9 people to think about as we have questions today,
10 whether the idea of having an export class in Manitoba
11 tends to confuse that -- that alternative way of
12 looking at the allocation of demand-side management
13 costs as opposed to the method that you're proposing
14 in this one, to directly assign the -- the costs.
15 Anyways, something for people to think
16 about. Well, my understanding is, Paul, that today
17 you get everybody while we're fresh rather than tired.
18 So over to you.
19
20 QUESTIONS BY GREEN ACTION CENTRE:
21 MR. PAUL CHERNICK: Okay. Thank you.
22 Given that -- that I have a lot of -- of questions on
23 this broad group of topics, I'm going to try and
24 concentrate on the ones for which the workshop
25 environment is most useful, and perhaps we'll send you

1 some undertakings for follow-up on discovery where we
2 just don't understand how the numbers match and that
3 sort of thing.
4 First of all, I -- I just want to start
5 with a -- a little statement rather than a question.
6 And -- and that is --
7 MS. ODETTE FERNANDES: Sorry, Mr.
8 Chernick?
9 MR. PAUL CHERNICK: Yes?
10 MS. ODETTE FERNANDES: I think the
11 idea here is that whatever undertakings you would
12 have, you would ask them today so that Manitoba Hydro
13 has a good sense at the end of the day today as to the
14 extent of the information that's being requested,
15 because we only have about two (2) weeks in order to
16 provide the information before Intervenors are in a
17 position to, I guess, incorporate some of that
18 information into their evidence.
19 So maybe if we can get some
20 clarification from --
21 MR. PAUL CHERNICK: Well, so when --
22 when -- after I'm -- I -- I -- my time runs out, I'll
23 take a look at what I've got left, write up some
24 things, and share them with you. Perhaps we'll have
25 time at the end of the day like we did yesterday to go

1 through the outstanding questions.

2 THE FACILITATOR: Yes, I -- let's try

3 and do that at the end of the day so that for Odette's

4 purposes, everything is on the record today.

5 MR. PAUL CHERNICK: Okay. That works

6 fine. I -- I just wanted to -- to say that I agree,

7 Kelly, with your earlier statement about the limited

8 importance of functionalization. And -- and this --

9 this three (3) step process of functionalize, and

10 classifying, and allocating is often a -- a useful way

11 of organizing our thoughts.

12 But we have to be aware that you can

13 functionalize a -- a cost -- a -- a transmission line,

14 for example, as generation or you can functionalize it

15 as transmission, but allocate it as generation. You

16 can -- you can functionalize it as trans --

17 transmission, but then classify it as energy-related.

18 It -- so there are a lot of ways to get

19 to the same end point in terms of the final

20 allocation, and we shouldn't get too hung up on how

21 any one (1) step is performed. It's really -- the

22 important thing is for a particular kind of cost,

23 where does it wind up in the cost-of-service study?

24 MS. KELLY DERKSEN: I think that's a

25 fair statement. And wha -- and sort of what the

1 message underlying what I was trying to say is that if
2 you go to another utility and you look on their
3 website, if they have those materials on their
4 website, and -- you have -- you have to be really
5 cautious, because you don't know what's gone into the
6 functionalization process.
7 And so to look at, let's say, the --
8 the transmission function and then see in another
9 utility that they've allocated it on whatever basis,
10 or classified and allocated it on whatever basis,
11 unless you have an understanding of what sits in that
12 transmission function, you won't have a good
13 understanding of what led them to the particular
14 classification and allocation methodology.
15 And so that was really the -- the
16 method to my madness is to say, Proceed with caution
17 when you -- when you look at that kind of information.
18 MR. PAUL CHERNICK: I -- I certainly
19 would agree with that.
20 I -- I wanted to pick up on the
21 discussion about DSM that -- that -- and the
22 allocation based on benefits rather than -- than
23 costs. And sorry, I -- I guess you'd agree that DSM
24 has -- has two (2) effects on the cost to be
25 allocated. One (1) thing is that it shrinks the pie

1 of costs that have to be split up, because there's
2 just less generation transmission distribution cost.
3 You don't -- there -- you add in the -- the DSM costs,
4 but they're -- you don't usually undertake the DSM
5 unless it's less expensive than the other costs you're
6 backing out, so it's shrinking the pie.
7 But then a program that's affecting one
8 (1) class that's being implemented on the premises of
9 one (1) class is shrinking its share of the pie, so it
10 may be increasing other classes -- well, will be
11 increasing other classes' share of the pie and
12 potentially their total cost if the -- the effect on
13 the slices is bigger than the effect on the size of
14 the total pie.
15 And that's the tension that you were
16 talking about with, you can have cost-effective DSM
17 programs, allocate the cost based on the benefits, but
18 because a participating class, assuming that the
19 programs aren't spread pretty evenly across all of the
20 classes, but if there's a class that participates,
21 especially vigorously, its share may go down, leaving
22 the other class -- some other classes, anyway, worse
23 off.
24 Is that the -- the tension you were
25 talking about?

1 MS. KELLY DERKSEN: I think that's
2 fair, Mr. Chernick. I don't -- I -- you know, the
3 golden rule of cost allocation is cost causation. And
4 those who cause the costs should pay for the cost. So
5 it's a little bit difficult, at least in that very
6 theoretical or that very traditional view of cost to
7 allocation, to look at it as, okay, if you've got a
8 pool of costs, and you very -- you directly assign
9 them because you believe those are the customers who
10 cause the Utility to incur them, it's sort of
11 difficult in that mindset to look at it from, Okay,
12 you're now able to share it with a much broader base
13 of customers.
14 And so it's difficult to leap to that -
15 - to -- to that kind of thinking in a -- in a world of
16 cost causation. So I -- I accept your premise --
17 premise, but with that caveat --
18 MR. PAUL CHERNICK: Right.
19 MS. KELLY DERKSEN: -- it's -- it's
20 difficult to leap to that kind of conclusion.
21 MR. PAUL CHERNICK: And that was the -
22 - the next point that I wanted to talk about,
23 actually, which is you're talking about the
24 traditional cost allocation framework, where if a
25 class clearly is causing a cost, you want to charge

1 them that -- that cost.

2 And that's usually in the context of

3 you don't want these classes to be incurring those

4 costs. Those costs are not benefiting any other

5 classes, whereas with DSM, you do want classes to

6 participate, want customers to participate within the

7 -- the programs. And there are benefits for other

8 classes resulting from those costs.

9 And so I think that you may be running

10 into problems with focussing on that traditional view

11 which dates from a time when costs were all just

12 costs, and if -- minimizing costs was -- was always

13 good, but minimizing DSM costs by convincing people

14 not to participate would not be good. And because cos

15 -- the class allocation doesn't go to individual class

16 -- customers. And it's -- it's -- the customer gets

17 the benefit of participating in DSM. The whole class

18 pays for it, in your approach.

19 It's not like you're discouraging an

20 individual customer from participating. But I have

21 seen situations where the class may not want to

22 participate. That the representatives of the class,

23 the equivalent of the MIPUGs or the consumer

24 advocates, would -- would not want to participate

25 because they see their bills going up and benefits to

1 -- flowing to the other classes.

2 And they're saying, well, let's -- what

3 no, you do the DSM, and we'll get the benefits. And --

4 MS. KELLY DERKSEN: I -- I think --

5 MR. PAUL CHERNICK: -- spreading the

6 benefits around can avoid that kind of problem.

7 MS. KELLY DERKSEN: You said a lot, so

8 I don't know that I can respond to all of it. But

9 with respect to this last conversation, you know,

10 there are customers who partake in their own DSM

11 activities and incur that cost directly themselves.

12 And so they're say -- sitting back and saying, I

13 already do that. And it -- it would be unfair for you

14 now to assign an additional cost of something I can't

15 partake in, and I'm already doing that, and I'm paying

16 for that cost.

17 MR. PAUL CHERNICK: That's the flip

18 side.

19 MS. KELLY DERKSEN: That's the flip

20 side.

21 MR. PAUL CHERNICK: The --

22 MS. KELLY DERKSEN: The -- the second

23 thing that I wanted to say is there are good arguments

24 to be made about both direct assignment, which is what

25 we do today, direct assignment to domestic customer

1 classes, that caveat.

2 MR. PAUL CHERNICK: M-hm.

3 MS. KELLY DERKSEN: And also that DSM

4 is a substitute for generation and -- and

5 transmission. And it -- it's really -- it's an int --

6 it's intuitive and it's really tempting to go down

7 this path to say, Because we're undertaking DSM in

8 order to defer -- I don't know that we could go as far

9 to say avoid -- but defer generation and transmission

10 investment, possibly also distribution investment,

11 it's tempting to get pulled into that argument. But

12 from a cost allocation perspective we know what the --

13 the golden rule is.

14 So -- and it's a trade off. It's --

15 and -- and when you make that decision that all of

16 those costs should be borne by all customers because

17 it eventually provide some -- a benefit to all

18 customers by having deferred generation and

19 transmission in the long-term, we just have to

20 recognize that that's a -- a policy decision. It's

21 not one (1) based on cost causation. It's really sort

22 of the -- the socialization of that cost across

23 customer classes.

24 MR. MICHAEL O'SHEASY: Kelly, could I

25 add something? We -- Christensen Associates -- we

1 advocated this cost causative approach towards DSM.
2 And we do that with -- with all of our costs. And I
3 want to back up just a minute and say why we do this,
4 and why don't we look at benefits or value. We
5 believe that benefits and value can often be a
6 subjective type of concept. One can argue that a
7 hospital benefits a lot more from reliability than,
8 say, a -- a retail store.
9 But costs are usually definitive.
10 Usually you know what your costs are. And so it's --
11 it's a much easier approach, I think. But in addition
12 to that we also back up to say, Why the heck are we
13 doing this cost of service study in the first place?
14 Well, we're -- we're doing it to determine what are
15 the requirements to serve a rate class. And then,
16 finally, how should we charge that rate class? What
17 are the rates that we should charge them?
18 And so based on that premise that's the
19 purpose of cost -- cost of service. It's important
20 that you have a baseline. You don't have to charge
21 cost of service. You don't have to do that if you
22 don't want. That's, I think, one (1) of the reasons
23 why you have an RCC that's not exactly one point zero
24 (1.0). But you do want to know what your costs are.
25 You need to know what that baseline is. And if you

1 want to charge that, God bless you. If you don't want
2 to charge that you need to know how far you're varying
3 from that.
4 So for those reasons we emphasize, when
5 -- when we go in and consult with utilities, that the
6 first thing you want to do with your cost of service
7 study is find -- allocate costs bos -- based on cost
8 causation. And then if you want to vary from that,
9 from -- for revenue requirement purposes,
10 socialization, as -- as Kelly was saying, or rate
11 design then that's fine. But we emphasize it's
12 important to know what is the cost of serving a
13 customer. And that's why we advocate that DSM costs
14 ought to be associated, assigned, or allocated to
15 those customers that cause that cost to be incurred,
16 not who might ultimately benefit from that -- that
17 program.
18 MR. PAUL CHERNICK: Okay. And you're
19 basically restating Kelly's position that
20 traditionally costs are costs. Costs are bad.
21 Classes that impose those costs should pay for them.
22 I -- I would just like to suggest that
23 there might be a different golden rule in this case
24 which is that you don't want to do any harm. You
25 don't -- you want to have a system which does not

1 burden one class for DSM either because it's paying
2 for the DS -- it's paying for its DSM and the benefits
3 are flowing elsewhere, or because a -- they're paying
4 for somebody's DSM and not getting benefits.
5 And whatever system you come up with
6 should not make individual classes worse off as a
7 result of your having the DSM program and having
8 distributed the costs.
9 Does that seem like a reasonable thing
10 to keep in mind as you're deciding where in the
11 spectrum, from 100 percent direct assignment to 100
12 percent allocation on -- on energy demand, might make
13 sense?
14 MS. KELLY DERKSEN: I -- I have a
15 couple of comments. Hopefully I'll be able to
16 remember them. You know, the discussion that you're
17 just having right now, Mr. Chernick, is you are
18 placing a value judgment on that particular cost.
19 And you can do that, and -- but it has
20 to be recognized that the value that you're placing on
21 that, is that that cost provides benefit to the entire
22 system, and therefore ought to be assigned to more
23 than just the customer classes that participate in --
24 in that program.
25 And it's -- it's a -- it's a good

1 argument to have, and -- and I am not uncomfortable
2 with it. From a cost allo -- from a cost analyst's
3 perspective, though, you have to be mindful that
4 you've specifically made that value choice.
5 And it's, you know, moving off of --
6 it's a non-cost causal consideration because of the
7 benefits to be had by the entire system as -- in an
8 attempt to avoid, or, excuse me, defer generation and
9 transmission cost.
10 MR. PAUL CHERNICK: Okay. I guess we
11 could, you know, dance on the head of a pin about the
12 different definitions of -- of cost causation all day.
13 But I'd like to move off of the -- the DSM onto some
14 other issues.
15 On your slide 59, with that lovely
16 diagram of the -- the system -- bring that back up --
17 in the lower left-hand corner, you have lines running
18 from the -- the street to residential customers
19 through transformers, and also to some larger customer
20 which might be a secondary -- might be served at
21 secondary or might be served at primary.
22 Is that -- the diagram could be showing
23 either one, and it's not clear, right?
24 MS. KELLY DERKSEN: That -- that's
25 true, yes.

1 MR. PAUL CHERNICK: Okay. And -- and
2 the line that runs from the street to a residential
3 customer or a small commercial customer at secondary
4 voltage is called a service drop or a service line or
5 some -- something like that, something with "service"
6 in it.
7 And I'm just wondering what -- what do
8 you call a line that runs at primary from the street
9 to a customer or to -- to -- in -- you know, to its
10 building or to its own transformer that's located next
11 to its building for a customer who's served at -- at
12 primary voltage?
13 What's -- what's that called and how's
14 that dealt with in the cost-of-service study, or is --
15 is there a name or you just -- it's just rolled into
16 primary and treated with all the other primary?
17
18 (BRIEF PAUSE)
19
20 MS. KELLY DERKSEN: We have primary
21 and -- and secondary infrastructure that can be
22 overhead or underground.
23 MR. PAUL CHERNICK: M-hm.
24 MS. KELLY DERKSEN: And we don't draw
25 a distinction in cost allocation. We -- we can't even

1 draw a distinction in cost allocation. We -- we can't
2 even draw distinction in cost allocation in -- in our
3 records based on primary and secondary, so we wouldn't
4 look at it beyond that. I -- I'm not sure --
5 MR. PAUL CHERNICK: I'm not -- I -- I
6 don't think I understood you. Would you consider --
7 do -- do you keep track of the cost of that primary
8 line that runs from the street to a commercial, you
9 know, medium size commercial customer, or even a -- a
10 large general customer?
11 Do you call that a -- a service? Is it
12 -- does your -- do your books track it as a service?
13 Is it in the services account that's -- that's
14 allocated in the PCOSS or is it something else?
15 MR. BILL HARPER: Can you clarify your
16 question?
17 MR. PAUL CHERNICK: Sure.
18 MR. MICHAEL O'SHEASY: Mr.
19 Chernick...?
20 MR. BILL HARPER: Excuse me, Kelly,
21 maybe we could put it another way. Do primary
22 customers have service drops? I think that's to some
23 extent --
24 MR. PAUL CHERNICK: Well, they've got
25 -- they've got -- got a line, and the question --

1 MR. BILL HARPER: No, but -- no, but --
2 MR. PAUL CHERNICK: -- is what do you
3 call that --
4 MR. BILL HARPER: -- in the cost
5 allocation do they have a service drop. I think
6 that's --
7 MR. PAUL CHERNICK: That's -- that's
8 part of the -- yes.
9 MR. BILL HARPER: -- what you're
10 trying to get at.
11 MR. PAUL CHERNICK: What would it be
12 called and where -- where would we look for it in the
13 Cost of Service Study?
14 MR. MICHAEL O'SHEASY: Mr. Chernick,
15 this graph here, of course, we didn't draw it from
16 Manitoba Hydro and I probably would have drawn it a
17 little differently, but in our review of Manitoba
18 Hydro's PCOSS, what they do is they will take the
19 poles and the wires that come out of that
20 subtransmission substation that goes to the customer,
21 takes those poles and wires --
22 MR. PAUL CHERNICK: You're talking
23 about the distribution substation?
24 MR. MICHAEL O'SHEASY: Yeah, the high-
25 side --

1 MR. PAUL CHERNICK: The one (1) at the
2 bottom?
3 MR. MICHAEL O'SHEASY: --
4 subtransmission voltage, the low -- yeah, it's a
5 distribution substation --
6 MR. PAUL CHERNICK: Okay.
7 MR. MICHAEL O'SHEASY: -- high-side
8 tran -- subtran, low-side distribution voltage.
9 MR. PAUL CHERNICK: Yes.
10 MR. MICHAEL O'SHEASY: So they will
11 take the poles and wires that you see there and
12 they're going to allocate those to all distribution
13 customers, okay. And they're going to allocate
14 service drops differently.
15 Now, that -- that line that you see
16 going to what looks like a commercial customer, it's
17 hard to tell if that's a service drop of if it's a
18 primary line.
19 MR. PAUL CHERNICK: Oh, okay. So a
20 primary line in your minds would not be called a
21 service drop, it's -- it's a primary line, even though
22 it only runs to one (1) customer, runs right to their
23 transformer either in their building, runs to their --
24 or to their meter and then to their transformer.
25 Something like that?

1 MR. MICHAEL O'SHEASY: Yeah, I'm going
2 to obviously let them answer that, but the point I was
3 trying to help with was all those poles and wires that
4 you see --
5 MR. PAUL CHERNICK: Yeah.
6 MR. MICHAEL O'SHEASY: -- they all
7 group together in one (1) basket and allocated out to
8 all of their customers. They're dist --
9 MR. PAUL CHERNICK: Well, not all the
10 wires. Not the services. The services --
11 MR. MICHAEL O'SHEASY: No, no, no. I
12 agree. I agree.
13 MR. PAUL CHERNICK: -- are pretty
14 different.
15 MR. MICHAEL O'SHEASY: I agree.
16 MR. PAUL CHERNICK: And I'm just
17 looking at what's that line on the other side and my -
18 - my understanding and I was leaving this open for
19 you, but my understanding was that you treated that as
20 a primary line that serves everybody when it's just as
21 private and just as dedicated to serving a particular
22 customer as those secondary service lines on the other
23 side of the street in this diagram.
24 And I just wanted to confirm that. And
25 I think this is common practice among utilities to

1 sort of ignore the fact that there are service drops
2 of the equivalent of service drops for large customers
3 and just socialize that cost, but charge the --
4 MR. MICHAEL O'SHEASY: Yeah.
5 MR. PAUL CHERNICK: -- secondary
6 customers for service drops?
7 MR. MICHAEL O'SHEASY: Yeah, my
8 experience is they don't usually charge -- account for
9 the primary line as a service drop. They usually
10 don't do that. That goes into the primary accounts --
11 MR. PAUL CHERNICK: Okay. Would you
12 agree that logically it should be treated as a cost of
13 serving the customers who are served at primary,
14 because it does not help any customer served at
15 secondary?
16 MR. MICHAEL O'SHEASY: If it's a
17 primary line it ought to be allocated on a primary
18 basis.
19 MR. PAUL CHERNICK: But only to the
20 customers who take primary service, not to the ones
21 who take secondary service?
22 MR. MICHAEL O'SHEASY: Well, now
23 you're talking about assigning a cost to a customer.
24 Normally what we think of is all primary lines are
25 necessary to serve secondary customers.

1 MR. PAUL CHERNICK: Okay. But we just
2 agreed that that's not true.
3 MR. MICHAEL O'SHEASY: Well, it may --
4 MR. PAUL CHERNICK: That -- that
5 primary line that runs from the street to that -- that
6 customer --
7 MR. MICHAEL O'SHEASY: Well, I don't -
8 - I don't --
9 MR. PAUL CHERNICK: -- does not serve
10 anybody else?
11 MR. MICHAEL O'SHEASY: -- I don't even
12 know if that's a primary line. I -- I can't tell.
13 MR. PAUL CHERNICK: We -- we just -- I
14 just decided it's a primary line in this situation so
15 we can --
16 MS. KELLY DERKSEN: Okay.
17 MR. PAUL CHERNICK: -- talk about it,
18 okay?
19 MS. KELLY DERKSEN: I don't know what
20 words you want to place on this, so I'll just point
21 and I'll -- I'll tell you what we do for cost of
22 service.
23 MR. PAUL CHERNICK: Okay. You can --
24 you can point, I can't.
25

1 (BRIEF PAUSE)

2

3 MS. KELLY DERKSEN: Mr. Chernick...?

4 MR. PAUL CHERNICK: Yeah?

5 MS. KELLY DERKSEN: Whatever you call

6 these lines here --

7 MR. PAUL CHERNICK: Yeah.

8 MS. KELLY DERKSEN: -- that would be

9 in -- in as a cost in our -- in our services.

10 MR. PAUL CHERNICK: It would -- that

11 would be called a service.

12 MS. KELLY DERKSEN: Yeah. This line

13 here --

14 MR. PAUL CHERNICK: Yeah.

15 MS. KELLY DERKSEN: -- the same thing.

16 MR. PAUL CHERNICK: Okay. So the --

17 the line that we've decided at the -- I'd asked you

18 just to treat as being primary for -- for the purposes

19 of this discussion, that would be in-services. But

20 then when you do your allocations you don't allocate

21 any service costs to the customer served at primary.

22 Is that correct?

23

24 (BRIEF PAUSE)

25

1 MS. KELLY DERKSEN: Up to the zero to
2 30 GSL customers we would assign those costs to all
3 customer classes below that, so residential --
4 MR. PAUL CHERNICK: Right, beca -
5 MS. KELLY DERKSEN: -- GSM, GSS.
6 MR. PAUL CHERNICK: They're all served
7 at -- they're all served at -- at secondary. It's
8 only -- the -- the only class that's served at primary
9 is the -- the GSL zero to thirty (30)?
10
11 (BRIEF PAUSE)
12
13 MS. KELLY DERKSEN: Yes, I think
14 that's true.
15 MR. PAUL CHERNICK: All right. So ju
16 - just to recap, you have lines that you would call
17 service because they run to the customer's premise
18 (sic), but -- and they're -- some of them are
19 secondary, some are -- they're primary. You call them
20 all services. And you allocate those only to
21 customers taking service at secondary.
22 And I'm sorry that service shows up so
23 many times in that sentence.
24 MS. KELLY DERKSEN: I'll take -- I'll
25 take -- I'll say, yes, subject to check.

1 MR. PAUL CHERNICK: Okay. Let us know
2 if it's -- if it's done differently. And as I've
3 said, it seems to be a common approximation. Okay, I
4 believe in -- in some of the discovery responses,
5 maybe even in the final materials, there was some
6 discussion of various ways of estimating a customer-
7 related portion of distribution.
8 And I just wanted to ask whether
9 Manitoba Hydro and/or Christensen are aware of any
10 utilities that allocate all distribution lines on
11 demand rather than on a mix of customer and demand.
12 MR. MICHAEL O'SHEASY: Christensen is
13 -- is familiar with utilities that do that.
14 MR. PAUL CHERNICK: So the -- the
15 range of approaches is not from a minimum system to a
16 zero intercept system for figuring out how much is
17 customer-related. It also goes to just saying, look,
18 we -- we build these lines to meet -- because there's
19 demand out there to be served, there's revenue to be
20 had, and that's why the poles exist and that's why the
21 -- the lines exist?
22 MR. MICHAEL O'SHEASY: That's correct.
23 If I could clarify just a bit. The idea that Mr.
24 Chernick is talking about of distribution lines, do
25 you split them customer in demand or not? Do you

1 consider them all demand or do you split them?
2 Now, if you split them, there's two (2)
3 different methods that are commonly used, your minimum
4 distribution system or your zero intercept. And we
5 don't need to go into that unless you want to. But
6 his question was: Do some utilities have a philosophy
7 that all distribution lines are demand-related instead
8 of splitting? And that -- that is true, they do.
9 We don't necessarily agree with that.
10 We believe a split is more appropriate, and many of
11 our clients do. And Manitoba Hydro feels like that a
12 split is appropriate. But to answer your question,
13 yes, some cust – some utilities do not split.
14 MR. PAUL CHERNICK: I'm trying to do
15 this in a reasonably logical order. The...
16
17 (BRIEF PAUSE)
18
19 MR. PAUL CHERNICK: In our question 28
20 we asked about the -- the reasons for building
21 distribution projects, and asked for project planning
22 and justification documents. And then we -- at
23 twenty-nine (29), we asked again specifically for the
24 justification documents. And what we got was a
25 reference to the capital expenditure forecast '15,

1 which talks about some broad categories.

2 Like, I -- I'm just going to read from

3 -- from CEF-15 there that -- you know, the -- the

4 reference is customer service projects which seem to

5 be referring to projects built to serve new customers,

6 in new areas to -- extending out to a new subdivision

7 or something, and system improvements for existing

8 areas. But it's not always clear what the system

9 improvements are, whether they're load related,

10 whether the poles are rotting and need to be replaced,

11 or...

12 And -- and so my question is, is there

13 a breakout available of the -- in -- in more detail

14 that in CEF-15, of why various projects are being

15 built? And one (1) way to get at that is just to --

16 assuming that you have a -- a sev -- several page

17 document explaining why you're building each project,

18 to just give us copies of those.

19 MR. GREG BARNLUND: If I may respond

20 to that, Mr. Chernick. In looking at this request --

21 and we reflected back on the conversations we had in

22 front of this -- the Board here in our general rate

23 application in terms of our -- the way that we

24 undertake evaluating making capital investments in the

25 system. And so we -- we look at a capital investment,

1 take a risk-based analysis approach to it, and we take
2 a number of factors into consideration.
3 So we'll take into consideration
4 factors such as the existing loading on the system in
5 the area, existing reliability situations, load growth
6 potential, age, the condition of the asset, that type
7 of thing. So when we do an analysis, we're -- we're
8 not just focussing or singling out a load growth
9 situation. We're taking a look at a number of
10 different criteria, if you would, in terms of how we
11 evaluate that.
12 And ultimately, that's how we build up
13 our capital forecast, is that we take a look at the
14 requirements in terms of the needs in the system. And
15 they may not just be load growth related. There may
16 be -- certainly, a -- a component of this has got to
17 do with capacity constraints and alleviating capacity
18 constraints, and building capacity for the future of
19 the system. But, you know, we do that work every day,
20 and we -- we roll this up into our capital forecast,
21 and the CEF that we provided is really the summary
22 document that shows you what our investment is.
23 So when we go below that, I mean, we're
24 -- we're entering, then, into a -- a level of
25 significant -- you know, a significant volume of

1 material we would be -- you know, we would be
2 compelled to put forth here. And I -- and I think
3 that our approach was to say that, Look, we don't
4 really have -- we're not able to pick out and say that
5 this is just simply for -- for new load growth, or
6 this is simply for growth in an existing area. But
7 those are factors we take into consideration in
8 general in terms of how we build up our capital
9 forecast.
10 MR. PAUL CHERNICK: Well, yes, but for
11 each project, you must say, The current load is this.
12 Load has been growing at this rate in -- in this area.
13 In addition, some new project is being built, which is
14 -- for which we're going to need to run a new line out
15 another half a kilometre. And the load from that tips
16 us over and we need to upgrade this feeder, or we need
17 to run a new feeder into the area to pick up some of
18 the load.
19 I mean, that -- that's the kind of
20 language I've seen in justification documents, and
21 even in summary documents that are a little more
22 detailed than the CEF. And from what I hear you
23 saying, it sounds like you've got two (2) kinds of
24 documents. You've got a document that could explain
25 why you're building this particular half kilometre of

1 line extension, and why you're building a new feeder
2 to serve an -- an area that's already got service to -
3 - to reinforce it. You've got those kinds of things,
4 but -- and that might be a few pages per -- per
5 project. And you've got the CEF which just says --
6 and all of that adds up to $40 million. And you don't
7 have anything in between, so there's no way of
8 answering our question about much is load related
9 without going to the individual projects.
10 MR. GREG BARNLUND: I think that's
11 essentially the case. And in the time constraints
12 we're talking about in terms of an Information Request
13 process, that there are limitations in terms of what
14 we can do in terms of synthesizing data out of what
15 we've got there.
16 Overall, the CEF is the central
17 planning document that shows, you know, how we're
18 investing in the system. And -- and those factors,
19 load growth and -- and replacement of -- of aging
20 assets, are all a factor that's involved in that.
21 But for the purpose of examination of
22 cost of service, you know, I think that we would have
23 some concern about the issue of providing hundreds
24 upon hundreds of documents at the granular level to
25 try and build up what we're doing in cost of service.

1 It's probably better to ask us, you
2 know, What are you doing with your system, and look at
3 it from the top down as opposed to building from the
4 bottom up.
5 MR. PAUL CHERNICK: Well, and that's
6 what -- that's -- and -- and we -- we tried it both
7 ways. In 28A, we asked for, Give us the top down, and
8 you gave us a -- a sort of a -- a stew at the top, a
9 slurry. And we said, Okay, and what are the
10 ingredients? And we asked for the individual
11 justifications, which would just sort of be, you know,
12 Tell us about the potatoes, tell us about the peas in
13 the stew.
14 THE FACILITATOR: Paul -- Paul, I'm
15 wondering, as we're trying to focus on the cost-of-
16 service --
17 MR. PAUL CHERNICK: Right.
18 THE FACILITATOR: -- study --
19 MR. PAUL CHERNICK: This is -- this is
20 --
21 THE FACILITATOR: -- wouldn't --
22 wouldn't these issues be ones that are developed in a
23 revenue requirements application --
24 MR. PAUL CHERNICK: Oh, well, it --
25 THE FACILITATOR: -- on approval of

1 that?

2 MR. PAUL CHERNICK: -- of -- of course

3 it's -- it's relevant to revenue requirements. But

4 the question is: If the Company's saying 40 percent

5 of their distribution system is driven by the number

6 of customers, if, in fact, 80 percent of their

7 spending is driven by reinforcing the system to meet

8 growing load, that would indicate that maybe they're

9 overstating the -- the part that's driven by the

10 number of customers.

11 But on the other hand, it might turn

12 out that most of the projects are, Oh, we have this

13 little development over here, and we have to run 5

14 kilometres of line to reach it. And we just don't

15 have any idea, because the Company is saying they

16 don't have the data aggregated in any way other than

17 at this very high level. And -- and --

18 THE FACILITATOR: But the --

19 MR. PAUL CHERNICK: -- that leaves not

20 only us in this case but the Company forever unable to

21 address the issue of what, if any, part of their

22 distribution system is driven by customer number and -

23 - and what part's demand.

24 THE FACILITATOR: Right, but that

25 aggregated cost is the one that we would be looking at

1 in any event, would we not?

2 MR. PAUL CHERNICK: Yes, but how do we

3 disaggregate it? So we have an aggregated cost. And

4 we have -- we have recent additions. We've now got a

5 -- a total rate base. That's really what we're

6 working with.

7 And the question is: Well, where does

8 that total rate base come from? Is that mostly as a

9 result of meeting growing demand, or is it mostly a

10 matter of running lines many kilometres into the --

11 the hinterland to pick up a customer here and there?

12 THE FACILITATOR: Okay. I guess --

13 MR. PAUL CHERNICK: And we don't know.

14 THE FACILITATOR: -- I guess your

15 questions are fair ball, but --

16 MS. KELLY DERKSEN: Can -- can I

17 interject here? I just wanted to bring it to the

18 highest of levels. And here's a -- a piece of

19 information that you could use to test sort of the

20 level of -- of granularity that might be appropriate

21 in looking at this kind of information. And Mr.

22 Barnlund will want to maybe address Mr. Chernick's

23 comment directly.

24 You know, we have a zone of

25 reasonableness plus or minus 5 percent, in total, 10

1 percent. We have a $2 billion annual revenue
2 requirement, approximately. So we accept that
3 customers' rates or cost of service is assumed to be
4 fair and reasonable, even if it shifts by $200
5 million.
6 So -- so that's the context that we can
7 place this in in -- in terms of -- of the level of
8 information that -- that ought to be sought. Mr.
9 Chernick's question is not an unfair question, but
10 it's, you know, at what level of detail do you want to
11 try and refine this?
12 MR. GREG BARNLUND: Thank you, Kelly.
13 And I think I just might add from there that we're
14 talking about -- I think what you're referring to is
15 testing a split of classification between capacity and
16 customer which exists for the entire system. And this
17 entire system's been built over sixty-five (65) years.
18 And so if we have information from 2016
19 in terms of what we're going to undertake in terms of
20 additions or replacements on our system, is it valid
21 to try and apply a one (1) year increment over what
22 exists -- has been built over the last sixty-five (65)
23 or seventy-five (75) years? And I'm not sure that
24 that is reasonable.
25 Again, it -- that's why you have this

1 60:40 -- you know, I mean, the classification
2 distribution plant is -- it's a classic debate,
3 because there is no definitive answer to this, right?
4 MR. PAUL CHERNICK: Well -- but it
5 helps if you have some data.
6 MR. GREG BARNLUND: But is the data
7 going to be worthwhile? And the -- the cost of
8 producing that data is something we are concerned
9 about. And the validity of being able to apply that
10 analysis should be of concern to everybody.
11 MR. PAUL CHERNICK: Well, I'm -- I'm a
12 little surprised that the Company isn't concerned
13 about what's driving its costs.
14 MR. GREG BARNLUND: Oh, we are.
15 MR. PAUL CHERNICK: Well, then I would
16 think you would want to know how much is load growth
17 driving distribution costs? And that would be -- that
18 would affect how you evaluate DSM, maybe where you
19 target DSM. It would affect how you do rate design in
20 terms of marginal cost pricing.
21 So it seems like --
22 MR. GREG BARNLUND: Mr. Chernick,
23 we're veering far off a cost-of-service here, okay?
24 Now, we met --
25 MR. PAUL CHERNICK: Well, when we get

1 the rate design, you won't have time to put the data
2 together either, because it'll be a limited schedule,
3 and you won't want to deal with then either.
4 So I -- I'm -- I'm trying to at least
5 open the Company's eyes to the idea that having some
6 information about your system that's somewhere between
7 here is a pea, and here's a potato, and here's a stew,
8 and gives you a sense of what's the total quantity of
9 peas, and the total quantity of potatoes, so you can
10 then to allocations and rate design and DSM in a more
11 educated way.
12 And you're right, these things are
13 complicated. A lot of -- of your investments give you
14 multiple products --
15 MR. GREG BARNLUND: Yes.
16 MR. PAUL CHERNICK: -- serve multiple
17 functions. Cha -- functions change over time. So,
18 especially for cost allocation, it's always going to
19 be an approximation.
20 THE FACILITATOR: Paul --
21 MR. PAUL CHERNICK: And I'm done.
22 THE FACILITATOR: -- I'm -- I'm
23 wondering -- no. I -- what I'm also wondering is, you
24 have until quarter to 11:00.
25 MR. PAUL CHERNICK: Yeah.

1 THE FACILITATOR: And we have a
2 controversial for this particular issue. I wonder
3 whether -- so that you're not worried --
4 MR. PAUL CHERNICK: I'm -- I'm moving
5 on.
6 THE FACILITATOR: -- afterwards that -
7 - that you didn't get a chance to ask your other
8 questions, whether we get to the other questions, and
9 if in the time until quarter to 11:00, you have more,
10 then -- then let's come back and beat our heads on
11 this some more.
12 MR. PAUL CHERNICK: I -- I was -- I
13 was planning on moving right along to -- to the
14 response to our question 32, in which we -- we asked a
15 number of -- of questions, including for the -- the
16 relative costs of -- of poles that carry primary only,
17 primary and secondary, secondary only, and we got an
18 answer to that.
19 And I was wondering if we could get any
20 background on what the difference is between a pole
21 that carries both primary and secondary versus one
22 that carries primary only for -- there's a two hundred
23 dollar ($200) difference there which would seem to be
24 due to the secondary. And I'm just wondering, is that
25 because the pole has to be higher, because the pole

1 has to be stronger?

2

3 (BRIEF PAUSE)

4

5 MS. KRISTIN BRAID: There may not be a

6 difference. I guess it depends. Like, a pole that

7 carries only primary may be able to carry secondary,

8 as well. A pole that carries only secondary may not

9 be. So --

10 MR. PAUL CHERNICK: But no, I -- I

11 understand. A -- a secondary only pole would be

12 shorter, because your clearances aren't as high,

13 aren't as great. You don't have to have them. The

14 primary poles, the lines have to be way up.

15 What I was puzzled by was the

16 difference between the primary -- a -- a pole with

17 primary and secondary costing seventeen hundred

18 dollars ($1,700) and a primary only pole being two

19 hundred dollars ($200) cheaper, and where that cost

20 difference came from.

21 And in my experience many utilities are

22 basically designed the same way in terms of the poles.

23 If they're going to carry primary and there's space on

24 them to add secondary, if that's required, and there

25 isn't any different in the pole costs.

1 MS. KRISTIN BRAID: I -- I'm sorry, I
2 didn't put together the data. I'm not sure where it
3 came from, so I --
4 MR. PAUL CHERNICK: Okay. Could --
5 could we make that an undertaking then to -- to get
6 the -- the detail of the cost differences between --
7 or among the three (3) types of -- of poles?
8 MR. GREG BARNLUND: We would have
9 that. We could put that together, yes.
10
11 --- UNDERTAKING NO. 11: Manitoba Hydro to provide
12 detail of the cost
13 difference among the three
14 (3) types of poles
15
16 MR. PAUL CHERNICK: And then in -- in
17 our Question 33 we got a -- a very interesting -- a
18 very nice table, well, interesting to me anyway, with
19 the -- the amount of cable you have by size of cable
20 and by -- by insulation level.
21 And one (1) thing that puzzled me is
22 that I think of -- of secondary as being under 600
23 volts and there's a 5,000 volt category at the top of
24 this page, but there's -- there's no cable that looks
25 to me like it's intended for secondary.

1 And I was wondering, am I -- is that
2 just left off of this table, or what's going on?
3 MS. KRISTIN BRAID: We don't usually
4 track our secondary cables. I'm not in the system
5 that would have provided this data, so I don't know
6 offhand if there's another tabulation of them that...
7 MR. PAUL CHERNICK: So it's -- it's --
8 you're saying it's possible that you have -- that
9 there's just a -- a dollar amount for the secondary
10 cable, but nobody really keeps track of how many feet
11 of cable are in service, secondary cable?
12 MS. KRISTIN BRAID: Not particular to
13 the cable type that's listed here.
14 MR. PAUL CHERNICK: Okay. So then
15 maybe we asked a question that was specific enough
16 that we got a lot of detail for some cable, but we --
17 we didn't get the secondary cable.
18 Could we then get whatever data is
19 available on the number of feet of -- of -- whether
20 it's by type, size, insulation type, for the secondary
21 cable?
22 MS. KRISTIN BRAID: I'm -- I don't
23 know.
24 MR. PAUL CHERNICK: Okay. Could --
25 could we make that an undertaking? And if the answer

1 is it's not available that's -- that's an answer, but
2 right now it -- I'm not sure whether my question was
3 specific enough that it -- it somehow excluded the
4 secondary cable or -- or what.
5 Because again, this gets back to the --
6 the 60/40 split of -- for -- for the distribution
7 system.
8 MS. ODETTE FERNANDES: Mr. Grant, I
9 think part of the problem we are having is really in
10 terms of the detailed data that is being requested,
11 that will really take some of our employees hours upon
12 hours to produce hundreds of pages of documents that
13 for -- in terms of the materiality really of the
14 purpose of this cost of service study.
15 And I think that's the struggle we're
16 having. We thought the intent of the workshop was to
17 start discussing the issues so that the panel would
18 have a better sense of our cost of service study and
19 the issues surrounding some of the methodologies and
20 we are just getting down into such detail that we
21 think those discussions are being missed.
22 THE FACILITATOR: Thank you. Yeah --
23 yeah, it's -- it's a tough call in the sense that the
24 allocation of the distribution system is inherently
25 flaky. We have the zero intercept method, we have the

1 minimum system method, we have whether to do it all on
2 demand or not.
3 It's very much a judgment call. So on
4 the one (1) hand trying to get down into the detail is
5 -- is difficult when it's still going to end up being
6 very much a judgment call afterwards. But then as I
7 was trying to -- to test, Paul, as I was worried the
8 same way you are that, you know, are we just getting
9 into too much detail to be of use. I -- I kind of
10 feel that we are likely doing that.
11 But at the same time it strikes me that
12 it's -- it's fair ball unless the information that's
13 being requested is quite onerous. In which case it's
14 not worth the trouble that it would provide.
15 MR. PAUL CHERNICK: And I'm not asking
16 for anything onerous. I -- I thought that the -- the
17 answer I got in here was that, well, maybe they have
18 data on secondary cable by size, but not by insulation
19 type. Or maybe just total meters. And so if -- if
20 that came back and the answer we were, All we know is
21 that it's total meters, and we have a thousand
22 kilometres of -- of secondary, and over ten thousand
23 (10,000) of primary that would tell us something about
24 the primary and secondary...
25 MS. KELLY DERKSEN: You know, let us

1 take it away and see what we have. We don't know what
2 we have. It may well be that we don't have the
3 information that's being sought readily available.
4 And if -- if that's the answer, we will respond in
5 that fashion. But I want to also leave with this
6 comment. And that is we have not -- you know, other
7 than the -- the review that our consultant has
8 undertaken on our behalf to assess the reasonability
9 of the allocation of our distribution plant
10 investment, we have not gone beyond that and looked at
11 this any further.
12 So even at this point, providing this
13 information to -- you know, we couldn't verify one (1)
14 way or the other if that was a -- a position that we
15 were comfortable going down, because we ourselves
16 haven't done this yet. And it's -- it's the reality
17 that we have faced having, you know, been focussed
18 completely on matters related to generation,
19 transmission, and exports in the -- in the last decade
20 plus. But that's the reality that we have. And so to
21 come to any kind of conclusion if -- even if the
22 information isn't -- is available, the Company hasn't
23 done -- done the work.
24 So for us to say, you know, that's a
25 path that we're prepared to go down or not, we just

1 won't be able to comment.

2 THE FACILITATOR: Thanks for looking

3 into it. It seems to me that's helpful. And it -- it

4 seems to me that Green Action may very well mount a

5 case to say that, you know, you -- in the next cost-

6 of-service and rate design components you should be

7 looking at things a different way, which may or may

8 not be persuasive on the panel. But it seems to me

9 that trying to help Paul out, as best you can, is

10 helpful. Paul, seven (7) minutes.

11

12 --- UNDERTAKING NO. 12: Manitoba Hydro to provide

13 data on length of

14 secondary cable

15

16 MR. PAUL CHERNICK: Thank you. Okay.

17 On -- let me take a quick look and see what I can do

18 that would be most useful, giving us the remaining

19 time. Okay. On our questions 40 and 41, we asked for

20 Hydro's standards for how equipment is -- is sized on

21 the distribution system. And the answer was that --

22 we -- we got a general answer to -- to number 40

23 about, well, we look at a lot of things, but we didn't

24 -- and then a reference to question 41, where we got

25 the answer that the -- the distribution guidelines are

1 proprietary.

2 I -- I mean, we have a confidential

3 website for exchanging information. I can't imagine

4 how your competitive position would actually be harmed

5 by releasing your -- your assumptions about diversity

6 of -- of residential customers or their -- or -- or

7 how you size poles and distribution lines. So I don't

8 understand why you can't give us this information.

9 MS. ODETTE FERNANDES: I'm not aware

10 of any confidential website. I'm not sure what that -

11 - what that discussion is about. However, I can say

12 that I am advised that the standards are about nine

13 hundred (900) pages. It's two (2) very large volumes.

14 And the standards have never been

15 provided outside the Corporation except under a

16 specific agreement with other utilities in which we

17 may share some of the standards and have some

18 discussions. But beyond that, we don't share our

19 standards outside of the Corporation.

20 MR. PAUL CHERNICK: The website I was

21 referring to is the one through which we have access

22 to the -- to the spreadsheets which requires us to --

23 to have passwords and sign in. So --

24 MS. ODETTE FERNANDES: That was --

25 MR. PAUL CHERNICK: -- I -- I thought

1 that that would be a way for you to -- to provide us
2 with the -- with the relevant information. And again,
3 this is related to what is driving your costs, and do
4 you actually -- do your standards call for a higher
5 pole if there's both primary and secondary on the pole
6 as opposed to just primary.
7 THE FACILITATOR: Well, I think that
8 this still becomes one that -- like the one the other
9 day where if -- if the utility treats this as
10 proprietary and you really want it, we can't sort that
11 out here. You're going to have to make a submission
12 to the panel to ask them to direct them.
13 MR. PAUL CHERNICK: Yes. And -- and
14 the -- the difference, as I understand it, is that the
15 Company argues that, well, the prices that they're
16 getting for their power is -- is very sensitive
17 because they're negotiating with other parties. And
18 the -- and -- and that -- that information might
19 affect the negotiation.
20 It's hard to see how they're -- how
21 that kind of argument would apply here. And it seems
22 like a much more limited and -- and a much less
23 contentious issue. And I -- I thought I would just
24 ask if we could somehow find out how -- you know, what
25 your actual guidelines are for how to -- to size this

1 equipment.

2 And if the answer is still no, I guess

3 the answer's still no.

4

5 (BRIEF PAUSE)

6

7 MS. ODETTE FERNANDES: Yeah, Mr.

8 Chernick, we're not in a position to provide that

9 information.

10 MR. PAUL CHERNICK: Okay. A

11 clarifying question on IR-47, our -- our -- GSC is 47.

12 We asked about the number of feet of conductor in --

13 that are used in service drops.

14 Now, unfortunately, we phrased that as

15 "conductor in service," and I don't know whether the

16 response that we got in the attachment on the next

17 page is for service drops, for all overhead conductor

18 in service, or -- or something else.

19 So can we get a clarification on that?

20 And if you don't know offhand, an undertaking would be

21 fine.

22 MS. KRISTIN BRAID: Yeah. We'd have

23 to take it away to look at it. I'm not sure offhand.

24 THE FACILITATOR: Sorry. The

25 undertaking is what? Well, maybe you can just say --

1 MR. PAUL CHERNICK: To clarify whether
2 this table is conductor length for service drops or
3 for all overhead distribution including service drops,
4 or maybe it's overhead distribution not including
5 service drops, but just to -- to clarify what this is.
6
7 --- UNDERTAKING NO. 13: Manitoba Hydro to clarify
8 whether table shows
9 conductor length for
10 service drops, for all
11 overhead distribution
12 including service drops,
13 or overhead distribution
14 not including service
15 drops
16
17 THE FACILITATOR: Well, I think one
18 (1) more question, then we'll take a break. Later on
19 this aft if we exhaust all the other parties that want
20 to have their time, then we'll have a chance --
21 MR. PAUL CHERNICK: That's --
22 THE FACILITATOR: -- to come back for
23 more questions.
24 MR. PAUL CHERNICK: -- entirely fair.
25 Okay. In IR-50 we asked about the -- the breakdown of

1 -- of how many services residential customers might
2 use. And we got back information on the number of
3 customers who are in multifamily buildings, but a
4 multifamily building ranges from somewhere two (2)
5 units and several hundred units.
6 And your response was, Well, generally,
7 if -- if it's -- if the -- the builder or the -- the
8 owner is okay with it, you'd just have a single
9 service to a building no matter how many customers
10 were inside and how many customers were bi -- you
11 know, how many customer meters there were in that
12 building and that you had a hundred and three thousand
13 (103,000) individually metered multifamily units.
14 And that would mean that those hundred
15 and three thousand (103,000) customers would use
16 somewhere between maybe fifty-one thousand (51,000),
17 fifty-two thousand (52,000) meters -- excuse me,
18 service drops if they were all in duplexes or if they
19 were all in five hundred (500) unit multifamily, there
20 would be about two hundred (200) service drops to
21 them.
22 And obviously the answer is somewhere
23 in-between. And my question is just: Do you have any
24 information about the mix of residential customers in
25 your -- in multifamily? How many are in duplexes and

1 fourplexes and so on?

2 MS. KELLY DERKSEN: I -- I can advise

3 that the Information Requests that we have prepared

4 have been prepared on the basis of information that we

5 had available in the time that we had to prepare the

6 Information Requests. And so if we had had easily

7 available the information, we would have made it

8 available.

9 And, you know, I want to go again and

10 say that, from a cost allocation perspective, we have

11 hired an independent consultant to come in and review

12 our cost allocation methodology. That review was

13 undertaken between -- over a fair length of time. The

14 advice that we have received from -- from that review

15 is that Manitoba Hydro employs cost allocation

16 methodology that's reasonably sound.

17 There are -- and consistent with

18 industry practice with respect to the issues that

19 we're talking about this morning. They have provided

20 advice to us that some of the allocators may need

21 updating. And so we have committed to updating -- to

22 looking at reviewing some of them where we think time

23 is best -- from a cost benefit perspective, our time

24 is best spent. We have not done that work.

25 So if...

1 MR. PAUL CHERNICK: I wasn't asking
2 for data that you didn't have. I was -- or didn't --
3 I thought that then you might in fact have it
4 available and not know that -- that that's what we
5 were looking for. But if the answer is it's not
6 readily available, then my question's answered and we
7 can have a break.
8 THE FACILITATOR: Well, that would be
9 nice, as well. I'm also wondering, for what purpose
10 are you using the information in the cost-of-service
11 review?
12 MR. PAUL CHERNICK: The allocation of
13 the costs of the service drops in the -- the Company's
14 current approach, as I understand it, assumes that
15 every residential customer has their own service drop.
16 We know that that's not true I reality. It's not true
17 for some small GSS customers, as well. There's one
18 (1) -- one (1) drop for a whole building. But it's
19 much harder to get a handle on -- on the -- the non-
20 residential customers.
21 And so for this particular cost
22 component of the allocation, it's fairly important to
23 understand how the --
24 THE FACILITATOR: Hey -- well, why
25 don't we have a -- a discussion while other people

1 take a break, because I'm -- I'm still not following
2 how that ends up changing the cost-of-service
3 allocations --
4 MR. PAUL CHERNICK: Okay.
5 THE FACILITATOR: -- to the
6 distribution customers at the end of the day.
7 MR. BILL HARPER: Mr. Grant, I -- I
8 can advise that I -- I had questions on precisely the
9 same issue with precisely the same intent as Mr.
10 Chernick did, so.
11 THE FACILITATOR: Well -- well, maybe
12 you can join us as well, then, to try and follow where
13 that is. Why don't we take a break until five (5)
14 after 11:00, and then at that point, it'll be on to
15 John Todd. Thank you.
16
17 --- Upon recessing at 10:49 a.m.
18 --- Upon resuming at 11:10 a.m.
19
20 THE FACILITATOR: All right, everyone,
21 we're ready to go again. We did have a discussion
22 with -- with Kelly, and Bill, and Paul, and I, and --
23 and it's left that the -- the reasons from a cost-of-
24 service standpoint for the information are reasonable.
25 The amount of information that may be available is yet

1 to be checked on, and Kelly's going to do some of that
2 over lunch.
3 Bill will probably revise the question
4 again this afternoon, and we'll see what information
5 might be available from that. And now for the most
6 rivetting part of the -- the week's entertainment,
7 John Todd is going to take the next hour.
8 Over to you, John.
9 MR. JOHN TODD: I trust, Bill, you're
10 referring to the topic, not to me personally.
11 THE FACILITATOR: Both. Both.
12
13 QUESTIONS BY CITY OF WINNIPEG:
14 MR. JOHN TODD: With that factious
15 tone of yours, I feel like I'm back in the hearing
16 room in the BCUC.
17 First, let me throw out a couple
18 caveats. These topics as you were referring to a few
19 minutes ago, Kelly, the focus has been on transmission
20 and generation. I recognize that.
21 Talking today on preparing, I thought,
22 Nobody has even looked at a lot of the stuff, so I'm
23 going to give everybody a sedative. We are going to
24 be spending a lot of time actually looking at the
25 spreadsheet, because there's some cell definitions

1 that I think that -- for what I want to talk about,
2 that's really the only way, because I suspect it's not
3 in everybody's heads.
4 So I apologize up front if this is
5 onerous, but I hope we can move along very efficiently
6 to get to the questions that I have. But first, I'm
7 going to ask that we look at the convenient document,
8 'Proposed Rate Schedule for Effective Rates', which is
9 actually out of your GRA interim request.
10 We're there right now. If we go to
11 page 21 of 25. I just want to confirm, because it's
12 actually not in your rate schedules on the website,
13 that tariff number 2016 here, dash 83, which is
14 actually the 80th one up here, outdoor lighting rate,
15 that is streetlights, right?
16 MS. KELLY DERKSEN: Yes, those are
17 streetlights.
18 MR. JOHN TODD: And if you scroll down
19 to 83, sentinel lights is a separate tariff. Can you
20 tell us the difference between them? This is a -- it
21 is setting up talking about cost allocation, not
22 these. Just tell us the difference between
23 streetlights and sentinel lights in your system.
24
25 (BRIEF PAUSE)

1 MS. KELLY DERKSEN: I apologize. I --
2 I'll preface this by apologizing to the -- the
3 engineer folks in the room. The best that I can
4 understand a sentinel light to be is visually what --
5 what I see in my head is a -- a house or a farm or a -
6 - located rurally, and there's a pole on that -- that
7 person's property, and there's a light on the pole.
8 And that would be a sent -- a sentinel light.
9 MR. JOHN TODD: Okay. And that's the
10 same as my understanding. Somebody -- a farm is a
11 house set way back from the street. They want a light
12 at the end of the driveway. It's too far away to
13 connect it into the meter, so they put a sentinel
14 light at the end of the road. And that can be done
15 with a sentinel. That can be done either as a rental
16 only, which is just for the -- the pole and the
17 sentinel. And it actually can be wired into their
18 meter. Or it can be an all-in charge with an
19 unmetered electricity.
20 And there's two (2) different rates for
21 that, right?
22 MS. KELLY DERKSEN: Yes, that's right.
23 MR. JOHN TODD: Okay. And a sentinel
24 light by it's nature, would you agree, is -- is quite
25 different than the street lights in a city in terms of

1 the configuration the amount of wiring you need for
2 it.
3 But probably the pole and -- and the --
4 the luminaire is probably quite similar?
5
6 (BRIEF PAUSE)
7
8 MS. KELLY DERKSEN: I suppose
9 generally speaking. You know, I -- you'd have to look
10 at different circumstances.
11 MR. JOHN TODD: Okay. We can get rid
12 of that particular point on the screen for the moment.
13 And I'd like to now turn to PCOSS14 amended. And go
14 to the total costs tab. This is a part that I suspect
15 most people haven't looked at. But since my client is
16 the city we looked at it. If we look at row -- sorry,
17 column A1, row 56. Sorry, we're on the total costs
18 tab, which is further to the right. Keep moving
19 across to the right into the blue tabs. A little past
20 direct -- one (1) past direct costs is total costs,
21 right. Okay. And that's column A1, row 156.
22
23 (BRIEF PAUSE)
24
25 MR. JOHN TODD: And you'll see there -

1 - and this is an updated version. You'll see there a
2 number six six three three (6,633). That is the
3 allocated cost to the area and roadway lighting class,
4 correct? And if we look up at the top highlighted by
5 yellow it says, "Total alloco -- allocated costs only
6 by classification."
7 So these are the costs that get to the
8 class as classified costs, as distinct from directly
9 allocated costs, correct?
10 MS. KELLY DERKSEN: Yeah. Those are
11 not the total costs for the area and roadway lighting
12 class, so I'm glad you drew that distinction.
13 MR. JOHN TODD: Yeah. And when I
14 first looked at it I was confused because I thought
15 this was the total cla -- costs thing. But, yes, it's
16 -- that's -- you get there by classification. We have
17 to go to the direct costs tab, which is right before
18 it, and go to column AC, row 139. And this is the --
19 this sheet is the direct costs sheet. And here we see
20 fifteen thousand three hundred (15,300) -- or, sorry,
21 fifteen million three hundred and thirty-one thousand
22 (15,331,000) is the directly allocated costs to the
23 class. And the total costs allocated to the class is
24 the sum of those two (2).
25 I've got that right?

1 MS. KELLY DERKSEN: Yes, that's
2 approximately right.
3 MR. JOHN TODD: Okay. And the total
4 then is about twenty-two thousand (22,000)? Sorry, 22
5 million. The tables always leave off the last three
6 (3) zeroes.
7 MS. KELLY DERKSEN: Yes.
8 MR. JOHN TODD: So 70 percent of the
9 costs in the area and roadway lighting category -- 70
10 percent are directly allocated costs. Thirty (30)
11 percent are -- come through the cla -- the cost
12 allocation process, if you want, for classified costs.
13 MS. KELLY DERKSEN: Yes, a large
14 portion of the area and roadway lighting classes costs
15 relate to dedicated end -- end-use equipment that is
16 owned by Manitoba Hydro, yes.
17 MR. JOHN TODD: Okay. So the city
18 cares. Don't put PCOSS14 away yet, but on top of it
19 we want to turn to the questions -- the -- the City of
20 Winnipeg, Manitoba Hydro-1, question 1AB, page 1 of 2.
21 And if you scroll down to the bottom of that page,
22 this is talking about the category of directly
23 allocated costs that are depreciation interest. That
24 accounts for about 7.5 million of that -- of that --
25 of the -- of the fifteen (15) directly allocated.

1 And the question was asking what's --
2 what's included in those costs that are depreciation
3 interest, because depreciation interest relates to
4 capital costs. So it's one (1) of those what's the
5 capital.
6 But first, can you just recap for me
7 the principle underlying allocating costs directly?
8 MS. KELLY DERKSEN: I'm sorry, can you
9 ask me that again? The principle underlying --
10 MR. JOHN TODD: The principle
11 underlying what gets allocated directly to a customer
12 class. How does a cost -- why does a cost get
13 directly allocated as opposed to allocated through the
14 cost allocation model, functionalization,
15 classification, allocation?
16 MS. KELLY DERKSEN: Well, very broadly
17 speaking, we have the more -- majority of the costs
18 incurred by a utility, including Manitoba Hydro, is
19 related to joint and -- and common costs. So most
20 costs in a cost-allocation study are not directly
21 assigned because the very -- by definition, a cost-
22 allocation study isn't -- is undertaken because if you
23 had only directly assigned costs, you wouldn't need to
24 do that.
25 So you have joint and common costs for

1 much of -- of the utility -- generation, transmission,
2 distribution. To the extent that a cost can be
3 identified belonging to a specific customer or group
4 of customers, we will directly assign that cost to
5 that customer class.
6 So we talked this morning about DSM.
7 So we are able to identify which customer classes --
8 we have a good understanding of which customer classes
9 are targeted with -- with which DSM programs. And we
10 are able to assign the annualized -- or the amortized
11 expense related to that program to the customer class
12 partaking in that program.
13 MR. JOHN TODD: Okay. So it's a --
14 it's directly allocated if it relates to something
15 that is not a shared facility. Is that fair?
16
17 (BRIEF PAUSE)
18
19 MS. KELLY DERKSEN: Maybe you can
20 define for me what you mean by directly assigned or
21 directly -- I'm -- I'm not -- I -- I can't recall your
22 specific words, but maybe you define for me what you
23 mean, and I'll advise you if that's how we handle it
24 in the context of cost of service.
25 MR. JOHN TODD: I'm trying to

1 understand how you define it in your spreadsheets
2 where you say direct costs. You've got a spreadsheet
3 in the PCOSS. You have a tab which is direct costs.
4 So I'm saying, How does something get
5 onto that spreadsheet specifically, and is it the fact
6 that it's a cost for something that is used only by
7 one (1) customer or only by one (1) class of customers
8 so it's not shared?
9 I mean, it's not like the wire where
10 everybody's got the electricity coming down the wire.
11 It's not like your human resources that are supporting
12 the whole company. It's something which is specific
13 to a customer or customer class, dedicated.
14 Is that correct? I mean, that's my
15 understanding.
16 MS. KELLY DERKSEN: Yeah. I --
17 MR. JOHN TODD: I want to make sure --
18 MS. KELLY DERKSEN: -- I'm trying to
19 interpret where you're going here, so, you know, I'm
20 being --
21 MR. JOHN TODD: Don't guess where I'm
22 going. Just --
23 MS. KELLY DERKSEN: -- being a little
24 cautious.
25 MR. JOHN TODD: When I train

1 witnesses, I say, Don't guess where they're going.
2 Just answer the question.
3 MS. KELLY DERKSEN: I always have to
4 guess where they're going, unfortunately.
5 MR. JOHN TODD: Okay, it's a straight
6 -- it's an answer. It's a fact. What -- what's the
7 criteria?
8 MS. KELLY DERKSEN: The -- if we can
9 identify a cost that we know that has been incurred
10 specific to a customer or a group of customers we will
11 directly assign that cost to that customer or class.
12 It -- I -- I'm drawing distinction though with your
13 use of the word 'shared' because I'm not entirely
14 certain that we wouldn't have a cost that's shared,
15 but we would -- that we may also be directly assign
16 it.
17 So that -- that's why I'm a little -- a
18 little bit cautious.
19 MR. GREG BARNLUND: And I just wanted
20 to add, John, that if we have a discussion this
21 afternoon about service extension, we're going to
22 refer to shared and dedicated plant, I don't want
23 confusion with regards to that because those have
24 terms specific to service extension. And I don't want
25 confusion with the panel in terms of what's being

1 referred to in terms of a direct assignment and an
2 allocation.
3 MR. JOHN TODD: Okay, thank you. I'm
4 -- I'm trying to understand. I have -- I come with my
5 understanding. When I look at some of your words I
6 want to make sure the way you're using them is the
7 same way I'm using them, that's all.
8 And I will not entrap you and try to
9 hold you to some words. If you say, well, what I said
10 before you -- we asked the question, okay? We're not
11 playing games here. I'm not the lawyer remember? I'm
12 just -- I'm just an analyst.
13
14 (BRIEF PAUSE)
15
16 MR. JOHN TODD: So can we turn now to
17 what I referred to before, the City of Winnipeg
18 Manitoba Hydro 1, 1AB, page 12. Go down to the bottom
19 of the page. 'B' says:
20 "The distribution interest and depre
21 -- depreciation costs directly
22 assigned to A&RL are related to the
23 capital costs of dedicated end-use
24 facilities, including street light
25 standards, posts, arms and brackets,

1 lamps, luminaries..."
2 Dah, dah, dah, dah. For that first
3 sentence, everything there is a truly dedicated
4 facility. By their very nature, they're street
5 lighting and nothing else.
6 MS. KELLY DERKSEN: I see where you're
7 going now. Yeah, okay, that's -- that's correct.
8 MR. JOHN TODD: The second sentence is
9 where I'm going.
10 MS. KELLY DERKSEN: I know.
11 MR. JOHN TODD: Yeah.
12 "Also included with these costs are
13 a share of interest depreciation on
14 buildings and general equipment."
15 Can you tell me what those buildings
16 and general equipment are that justify them being
17 dedicated allocation? And I admit I'm down into the
18 weeds, which matters to the City, so you may want to
19 answer that as an undertaking.
20
21 (BRIEF PAUSE)
22
23 MS. KELLY DERKSEN: We allocate
24 buildings and equipment based on labour costs, direct
25 labour costs. And so to the extent that we have staff

1 in the field working on street lighting matters, they
2 will attract with them -- or we would assign some
3 labour dollars to the class. And as part of the inner
4 workings of the cost allocation study, anything that
5 is allocated on some labour basis will attract with --
6 to it general -- some general costs like those that
7 you see there.
8 MR. JOHN TODD: Okay, so if I've got
9 that correct, you have some -- yes, okay. So there
10 are operating costs also that are directly allocated.
11 And that would be labour, for example, of people who
12 are working on street lights. And this would relate
13 to the overhead associated with that labour.
14 Is that correct?
15 MS. KELLY DERKSEN: That's right. And
16 we also have indirect labour, so, you know, our human
17 resource department. You know, a number of areas
18 within our organization are indirect. So to the
19 extent that there is personnel working on a specific
20 function, in this case, we're talking street lighting,
21 that cost would get allocated to the street lighting
22 class.
23 And by virtue of those labour dollars
24 going there, that attracts with it indirect labour and
25 indirect buildings and general equipment, for example.

1 MR. JOHN TODD: Which are all capital,
2 and therefore, the cost to get into the cost
3 allocation are the depreciation and the interest
4 associated with that capital? Like what goes into the
5 revenue department, and therefore, it goes into the
6 cost allocation, correct?
7 MS. KELLY DERKSEN: Lab -- labour
8 isn't necessarily capitalized, but the -- the
9 buildings and --
10 MR. JOHN TODD: Yeah.
11 MS. KELLY DERKSEN: -- general
12 equipment would be, yes.
13 MR. JOHN TODD: Okay. Good. And when
14 I finish these line of questions I may come back and
15 ask for the dollar value of those assets, I may, and
16 the percentage that's A&RL and so on.
17 But first, with the -- in effect then
18 there are a net amount of costs for the buildings and
19 general equipment which then have to get allocated out
20 to everybody? That -- because that's the -- that's
21 the shared --
22 MS. KELLY DERKSEN: Yes.
23 MR. JOHN TODD: -- by all the --
24 everybody?
25 MS. KELLY DERKSEN: Yes, there are

1 overhead costs or indirect costs of operating the
2 utility that are allocated to all customers and it
3 depends on, you know, what specific costs that we're
4 talking about, but, yes.
5 MR. JOHN TODD: So how do you ensure
6 that street lighting or A&RL is not double charged for
7 that, because the -- they are included, are they not,
8 in the allocation of everything that's left over.
9 So do you deduct or not allocate them a
10 share of the rest of the building costs and general
11 equipment costs when you're directly assigning a
12 chunk, so they've already paid their share?
13 MS. KELLY DERKSEN: Well, that doesn't
14 mean that they've already paid their share. They've
15 paid their share with -- as it relates to the labour
16 associated with working on street lighting. They've
17 paid their share. So let's call that ten dollars
18 ($10).
19 If there's a hun -- if there's ninety
20 dollars ($90) left of buildings and general equipment,
21 which is our discussion, street lighting will get
22 another share of that ninety (90) remaining dollars
23 because of the allocated generation, and transmission,
24 and distribution costs. That their prop -- their
25 proportion of that cost will attract some buildings

1 and general equipment also.

2 MR. JOHN TODD: Okay. And I haven't

3 checked this, but hopefully you can tell me, so I

4 understand that if the allocator of the remaining does

5 not include the 70 percent of the costs which are

6 direct, it is only the classified costs.

7 Is that what's happened? And I'll --

8 I'll check it afterwards, but do you know if that's

9 what's happening, i.e., the allocator for the

10 remaining costs do not include as a measure anything

11 that's related to direct costs?

12 MS. KELLY DERKSEN: In -- in my

13 hypothetical example maybe we could use that. If we

14 said that you've been allocated ten dollars ($10) of

15 building and general equipment on account of the

16 indirect costs associated with the labour for the

17 people working on street lighting, the -- that gets

18 backed out of the hundred dollars ($100) that we need

19 to collect.

20 And the remainer -- remaining ninety

21 dollars ($90) then gets distributed amongst all

22 customer classes, a portion of which would also go to

23 the area and roadway lighting class. I don't know if

24 that helps you or not.

25 MR. JOHN TODD: Well, do we then agree

1 that the portion that would get allocated to A&RL
2 would be the portion that corresponds to the
3 nondedicated part of the A&RL costs?
4 MS. KELLY DERKSEN: Yes.
5 MR. JOHN TODD: Okay. So we agree and
6 probably neither of us looked at the model closely
7 enough to be sure that's what's happening, but we --
8 we agree that in principle that's what should happen?
9 MS. KELLY DERKSEN: I'll take that
10 subject to check. And if I -- if I am aware otherwise
11 of what I've adv -- advised, I will make that
12 clarification.
13 MR. JOHN TODD: Thank you. Can you
14 define the -- in that same response it refers to
15 conductor dedicated to street lighting. Is that
16 determined by a demarcation point? What exactly is
17 conductor dedicated to street lighting? I assume
18 that's like the drop to a house?
19 MS. KELLY DERKSEN: I think that's
20 true, yes.
21 MR. JOHN TODD: Now, there is no
22 meter. The demarcation point would normally be the --
23 at -- at a meter, so --
24 MS. KELLY DERKSEN: You're right.
25 There is -- there is no meter. Right.

1 MR. JOHN TODD: -- it's sort of to the
2 light, to the luminaire itself.
3 Is that right?
4 MS. KELLY DERKSEN: To the luminaire
5 itself, yes.
6 MR. JOHN TODD: Okay. I'd like to
7 turn Now to the 7.75 million of the 15.3 million total
8 that is dedicated, which is the operating cost
9 portion. And in the same response, if we go down to
10 page 2, go down two (2), and go a bit further down, we
11 see there the operating cost definition:
12 "Operating costs are for maintenance
13 and repair of these dedicated
14 facilities."
15 This is the part that tracks that
16 allocation of the buildings and so on, right? It's
17 the overhead related to that work?
18 MS. KELLY DERKSEN: Yes. Right.
19 MR. JOHN TODD: Okay. Okay. And all
20 of that maintenance, we're talking about maintenance
21 of the street lights, not maintenance of those
22 buildings, because that's, like, now an overhead
23 calculation.
24 MS. KELLY DERKSEN: You -- you're
25 right, yes.

1 MR. JOHN TODD: Okay. We'll be going
2 back to the PCOSS for a minute, but I just want to
3 understand the year for which costs we're going to
4 talk about. Now, this is a methodology process we're
5 heading here. When it comes to 2017 GRA, my
6 understanding is that you would have a PCOSS2017.
7 It's a prospect of cost-of-service, so you're doing a
8 future.
9 So you -- your cost-of-service study in
10 a rate case would be using the future year costs, not
11 a -- sorry, historic cost-of-service studies, right?
12 MS. KELLY DERKSEN: Two (2) decades
13 ago or more, yes.
14 MR. JOHN TODD: Well, I've been around
15 for a long time, so I remember them. They were -- you
16 know, I -- I grew up -- that was my mother's milk, you
17 know.
18 MS. KELLY DERKSEN: 1995, we moved
19 away from that.
20 MR. JOHN TODD: Yeah. So there will
21 be a PCOSS17, and the PCOSS17 will have forecast
22 costs, right?
23 MS. KELLY DERKSEN: I -- I don't think
24 it will be PCOSS17. It'll probably be PCOSS -- we --
25 we'll call -- call -- we call it PCOSS18, but it'll be

1 for the '17/'18 fiscal year.

2 MR. JOHN TODD: And so that -- so I'm

3 correct that PCOSS18 will contain energy usage that

4 reflects the LED conversion.

5 Is that correct?

6 MS. KELLY DERKSEN: Whatever lights

7 are in existence. So, you know, we're in the process

8 of replacing that infra -- that infrastructure, those

9 lights. So whatever energy output from the new

10 lights, along with the existing HPS (phonetic), will

11 flow through to the -- the forecast, yes.

12 MR. JOHN TODD: Okay. Good. Turning

13 back to PCOSS14, I'd like to go to the D tables tab.

14 And there's distinction between the D tables and the D

15 tables process, right? The D tables are the

16 allocators themselves, so the proportional splits.

17 And the -- the C, D, E tables process

18 are the dollars, right?

19 MS. KELLY DERKSEN: Yes.

20 MR. JOHN TODD: And the 'C' relates to

21 customer related, the 'D' relates to demand related,

22 the 'E' relates to energy related, right?

23 MS. KELLY DERKSEN: Yes, that's true.

24 MR. JOHN TODD: So if we turn to the D

25 tables, and what we see here are a number of

1 allocators. And the -- the D12, the D13, and so on.
2 And if we scroll down to the D13, which is a little
3 bit lower down, they're in sequential order. So it's
4 lowest Ds to the highest ones, right? D13, if you can
5 scroll down one (1) more section. Oh, yeah, there's
6 D13.
7 I see down here, and if you go down to
8 area and roadway lighting, a number is nine point zero
9 (9.0). This is referring to the coincident peak
10 demand of street lights of the AWL class. And I'm
11 going to say -- shouldn't say, "street lights,"
12 because the street lights include all the sentinels
13 and so on, right? And decorative lights and so on.
14 MS. KELLY DERKSEN: Yes, that's right.
15 MR. JOHN TODD: Okay. So that's the
16 coincident -- the -- the 2CP demand. So that's the
17 average demand in the hundred hours that you use on an
18 energy-weighted basis?
19 MS. KELLY DERKSEN: This would be the
20 2CP allocator --
21 MR. JOHN TODD: Yeah.
22 MS. KELLY DERKSEN: -- top fifty (50)
23 in the winter, top fifty (50) in the summer. We use
24 that allocator to allocate generation-related cost.
25 MR. JOHN TODD: Right. Okay.

MS. KELLY DERKSEN: I'm sorry. I meant transmission.

MR. JOHN TODD: Yeah. Okay. And if we scroll down to D29, a different allocator...

(BRIEF PAUSE)

MR. JOHN TODD: Oh, you went too -- too -- you're past it now, I think. There's -- there -- oh, that when they're not everything -- we don't have all the numbers in there. There's -- the next one is -- oh, what happened? This is April 25th. Did 'B' -- did D29 disappear?

(BRIEF PAUSE)

MR. JOHN TODD: Maybe I -- I might have actually written the number down wrong. So it's -- what I'm looking for is the NCP, non-coincident peak.

MS. KELLY DERKSEN: It -- we -- we were just there, if you just scroll down.

MR. JOHN TODD: Sorry, it looks like it's thirty-one (31), not -- yeah. Yeah, okay. If you look at the bottom there for area and roadway

1 lighting -- my apologies for having that number wrong
2 -- is nineteen point four (19.4) -- or, sorry, twenty-
3 nine point four (29.4).
4 MS. KELLY DERKSEN: Twenty-nine point
5 four (29.4), yes.
6 MR. JOHN TODD: Now, street lights are
7 either on or they're off.
8 MS. KELLY DERKSEN: Yes.
9 MR. JOHN TODD: And in fact, they're
10 not metered, so whether on or off is based on kind of
11 an engineering or analytic assumption, correct?
12 MS. KELLY DERKSEN: Yes.
13 MR. JOHN TODD: And that's based on
14 daylight hours, so it's time of day. So you assume
15 that any time of year, it's -- they're going on and
16 off with sunrise and sunset, or with sunset and
17 sunrise, they're going on and off.
18 MS. KELLY DERKSEN: Yeah. My -- my
19 understanding is that's -- that's what we now do, yes.
20 MR. JOHN TODD: So would I be
21 interpreting this correctly to say nine (9) is just a
22 little under -- say it's about 30 percent of twenty-
23 nine (29), ballpark. So is it -- is it -- my
24 conclusion correct that the street lights are on
25 during 30 percent of those hundred hours that are

1 used, the 50/50, on an energy-weighted basis?

2 MS. KELLY DERKSEN: This is -- now

3 we're at the non-coincident peak --

4 MR. JOHN TODD: Exactly.

5 MS. KELLY DERKSEN: -- allocator.

6 MR. JOHN TODD: Thank you.

7 MS. KELLY DERKSEN: The non-coincident

8 peak allocator is not used to allocate transmission

9 costs. The non-coincident peak allocator -- sorry --

10 MR. JOHN TODD: That's not what I'm

11 asking.

12 MS. KELLY DERKSEN: I'm sorry.

13 MR. JOHN TODD: Okay. I'm trying to

14 deduce something from these numbers. If the

15 coincident peak is 30 percent of the non-coincident

16 peak, and street lights are either on or off, the only

17 way that number -- as I understand it, the way you

18 would come up with that number is if the street lights

19 are on during 30 percent of the hours used for the

20 coincident peak allocator, all right, those hundred

21 hours, mixing in the energy weighting.

22

23 (BRIEF PAUSE)

24

25 MS. KELLY DERKSEN: Yeah, you know, my

1 intuition was correct the first time. And we're
2 comparing NCP to CP. And we can't quite conclude the
3 same things from one (1) versus the other is my
4 understanding with respect to the 2CP allocator. I'm
5 advised that a little less than 50 percent of the
6 time, the street lighting -- streetlights are on.
7 MR. JOHN TODD: Could you provide as
8 an undertaking two (2) things, 1) what your hours --
9 and it may be by season, by month, probably not by day
10 of the year, what hours you're assuming are on and off
11 for streetlights? There's -- I'm sure there's a rule
12 -- there's got to be a rule you use for when they're
13 on.
14 And, secondly, it's probably there, do
15 you have in the filing the -- the actual hours that
16 are used for the -- the hundred hours?
17 MS. KELLY DERKSEN: Yes. We have that
18 in the filing already.
19 MR. JOHN TODD: Yeah, okay. But --
20 but you don't have this -- the rules for the street --
21 when the streetlights are on and off, do you? Or did
22 I miss that?
23
24 (BRIEF PAUSE)
25

1 MS. KELLY DERKSEN: I do -- I'll --
2 I'll caveat with this. And then you let me know what
3 it is that you need. There was a study done somewhere
4 in the -- in the late 1990s.
5 MR. JOHN TODD: 1995, study you're
6 referring to?
7 MS. KELLY DERKSEN: No, I think it was
8 -- this was with respect to when street lighting --
9 streetlights were on and off. There was a load
10 research study done specific to street lighting. And
11 we have applied that information until, I -- I think,
12 PCOSS14. After PCOSS -- all right.
13
14 (BRIEF PAUSE)
15
16 MS. KELLY DERKSEN: Yeah, the -- the
17 study that I'm referring to is based on the load
18 research metered. We've moved away from that and more
19 recently are looking at the rules that you described
20 in terms of on and off vis-a-vis sunup, sundown. So
21 that's where we're headed into the next cost-of-
22 service study.
23 So if it's the information flowing out
24 of the metered load from the late 1990s, which is what
25 we've applied in PCOSS14, we can provide that

1 information to you.

2 MR. JOHN TODD: Yeah. What I'm more -

3 - what I'm actually interested in is, presumably for

4 your hundred hours that's used per 2CP, those are

5 specific hours in the year?

6 MS. KELLY DERKSEN: Those are specific

7 hours in the year, yeah, each classes.

8 MR. JOHN TODD: Yes. And if -- if we

9 know the hours that the streetlights are on, we can

10 actually look at the number of hours that they're on.

11 And if it is one third (1/3) of the hours, or 40

12 percent of the hours, or 50 percent of the hours, we

13 know what the calculation is without any load

14 research?

15 MS. KELLY DERKSEN: Yeah, I'm not sure

16 that we have the hours. We would definitely have the

17 -- based on that data back to 1990, we would know what

18 the -- the area and roadway lightings consumpt --

19 measured consumption is at the time of those hundred

20 peaks.

21 MR. JOHN TODD: But you're not using

22 that anymore. I thought -- I thought what you used

23 was the -- you I know what the luminaires are, so you

24 know what the total energy usage is when the lights

25 are on. And you have -- and they're not metered. You

1 don't know when they're on and off. In fact,
2 sometimes, I understand, the streetlights are on
3 during the day. But that's not the City's problem,
4 except it's inefficient use of energy. Not all them.
5 I mean that's just -- no system's perfect.
6 My point is, if we -- if we know the
7 rules for when the hours are on, we can look at the
8 hundred hours. We know which hours you should be
9 assuming the lights are on, when they're assumed off.
10 And that would be easy to determine. Are they on --
11 you know, from a -- is the non-coincident peak
12 allocator and so on, we should know what -- what the
13 peak for the A&RL are -- are in that share. If
14 they're only 10 percent of the hours then it'd be 10
15 percent of the costs.
16 In some jurisdictions where I work the
17 streetlights are never on in the peak hour.
18 MS. KELLY DERKSEN: It -- it can
19 happen here too.
20 MR. JOHN TODD: But you've got a
21 hundred (100) hours --
22 MS. KELLY DERKSEN: I don't know what
23 information that we have avail -- available in terms
24 of number of hours that the streetlight -- lights are
25 on for the purposes of the -- the 2CP allocator, but

1 we will undertake to -- to check that information.
2 It's different information, I would
3 anticipate, with respect to non-coincident peak,
4 because it's not measuring what streetlights use at
5 the time of the system peak. It's measuring the non-
6 coincident peak. So it's measuring the maximum usage
7 of the streetlighting class. And so that's a
8 different concept.
9 MR. JOHN TODD: I understand that and
10 my point is that because the lights are either on or
11 off, the non-coincident peak is the lights are on.
12 And in an hour where they're off, the end consumption
13 is zero. So if we look at the number of nighttime
14 hours, we'll call it that, dusk to dawn hours, that
15 match up with your one hundred (100) hours, we'd know
16 what proportion of the coincident peak they account --
17 when they're on -- on coincident peak.
18 MS. KELLY DERKSEN: Well --
19 MR. JOHN TODD: That's all -- that's
20 all I'm saying. So --
21 MS. KELLY DERKSEN: -- we'll undertake
22 to --
23 MR. JOHN TODD: -- between rules --
24 the one hundred (100) hours and the rules are all I
25 need, right?

1 MS. KELLY DERKSEN: We'll undertake to
2 see what kind of information that we have.
3 MR. JOHN TODD: Thank you.
4
5 --- UNDERTAKING NO. 14: Manitoba Hydro to indicate
6 the number of nightime
7 hours to determine
8 coincident peak and non
9 coincident peak
10
11 MR. JOHN TODD: Now, I'd like to move
12 down to the D36 allocator. I hope I've got this
13 number right.
14
15 (BRIEF PAUSE)
16
17 MR. JOHN TODD: I just want to make
18 sure I'm interpreting -- there's a column there that
19 says, "adjustment for secondary". And except for the
20 general service large zero to 30 kV, it's either one
21 hundred (100) or zero.
22 So am I correct that in a class where
23 it says one hundred (100), 100 percent of those
24 customers are distribution connected, in a class where
25 it's zero, none of those customers are distribution

1 connected?

2 And the reason that the zero to 30 kV

3 is different is that in that class some are connected

4 to the primary voltage, some are connected to sec --

5 secondary voltage, and the 70 percent is because, to

6 the best of your knowledge, 70 percent are connected

7 at distribution voltages?

8 Do I have it right?

9

10 (BRIEF PAUSE)

11

12 MS. KELLY DERKSEN: This is about --

13 about cost. And the adjustment made for the zero to

14 thirty (30) class is to recognize that those customers

15 do not take service off of our secondary -- off of our

16 secondary lines. They take service from our primary

17 and we've made an adjustment to now exclude them from

18 costs related to secondary.

19 MR. JOHN TODD: I understand that in

20 connection with all the classes other than the GS

21 large zero to thirty (30), but it's got a 70 percent.

22 So that's a partial adjustment. So what I'm saying is

23 does that reflect -- is that a volumetric weighting or

24 is that the number of customers within the class that

25 are on secondary versus primary?

1 MS. KELLY DERKSEN: No, that -- that's
2 the adjustment to say we've made an assumption that
3 approximately 30 percent of the cost related to
4 primary and secondary relate to secondary and we've
5 backed that out to say the remaining 70 percent relate
6 to primary.
7 And that's what that adjustment is
8 attempting to do.
9 MR. JOHN TODD: Okay. And what I'm
10 asking, is that 70 percent 70 percent of the meters
11 are secondary or is it 70 percent of the energy
12 flowing through is secondary? I mean, presumably the
13 secondary connected are smaller volume customers.
14 So for the people -- for the portion
15 that are secondary connected it's going to be
16 proportionately less if you're using the energy flow
17 as that -- as that adjustment factor versus using a
18 count. So I'm just trying to understand which it is.
19
20 (BRIEF PAUSE)
21
22 MS. KELLY DERKSEN: It's neither,
23 John. It is an assumption that we have made to adjust
24 our allocator to recognize that for this particular
25 customer class, those customers take service from our

1 primary -- with respect to poles and wire --
2 distribution poles and wires, those customers take
3 service off of our primary system. But because we
4 don't have costing data that segments between primary
5 distribution and secondary distribution we've adjusted
6 the allocator to back out 30 percent, which is the
7 assumption that we've made pertains approximately to
8 the costs related to secondary. But it's just a
9 percentage applied to the allocator to back out that
10 30 percent.
11 MR. JOHN TODD: Okay. I -- my
12 apologies. I was making assumptions about a basis for
13 that. Neither of my two (2) assumptions about the
14 basis are correct.
15 Can you provide me the basis for the 70
16 percent?
17 MS. KELLY DERKSEN: It's actually in
18 our submission materials, but sort of deep into the
19 materials. It would be our first response to the
20 Christensen report in 2012.
21 MR. JOHN TODD: Okay.
22 MS. KELLY DERKSEN: It's also possible
23 that there's a discussion in our cost-of-service study
24 itself, but I can't recall off the top of our head.
25 That would have also been filed in some of the

1 materials.

2 MR. JOHN TODD: Okay. And either I

3 missed it or as I read it, it was sort of like, okay,

4 it wasn't precise enough for me to understand. But

5 I'll -- I'll also double check. But if there's -- as

6 long as it's clear why it's seventy (70), not sixty

7 (60) or eighty (80).

8 MS. KELLY DERKSEN: Well, it -- it's

9 not clear. It's an -- it's an assumption that we've

10 made based on an Ernst & Young report that we have

11 back to 1990 that attempts to quantify the difference

12 in costs between pri -- distribution primary,

13 distribution secondary. Their advice to us at the

14 time was approximately 70 percent of the cost was

15 related to primary; 30 percent was related to

16 secondary.

17 And we've assumed that same percentage

18 applies today, and we've made the adjustment to that

19 class based on that weighting. The -- the -- with

20 respect to the issue itself, it -- our -- our --

21 Christensen has discussed it in their report. And

22 that was in their first report in 2012 also. So that

23 will at least give you some of the context as to their

24 advice.

25 MR. JOHN TODD: And today is not the

1 day for debating, it's just that I want to make sure I
2 understand. I didn't understand from the reading of
3 stuff. Okay. Turning to the allocation of cust --
4 the allocation of customer costs. We turn now back to
5 the Information Requests, City of Winnipeg/Manitoba
6 Hydro-13 A to C, page 3 of 3. There's a table on --
7 page 3 is a -- is a table, which I hope we can read.
8 Yeah, it's showing up here. That's not bad.
9 And I want to start -- if you can slide
10 the table up a little bit because, of course, I'm
11 interested in those bottom lines. They -- if we look
12 at the column on the number of services we see street
13 lighting zone 1, zone 2 and 3, and sentinel. Ninety
14 seven (97) zone 1; six eighty-eight (688) zone 2; and
15 twenty-five thousand nine hundred and seventy-four
16 (25,974) sentinels.
17 I think I understand why, but I just
18 want to confirm -- to confirm that. If you've only
19 got ninety-seven (97) zone 1 services and six hundred
20 eighty-eight (688) zones 2 and 3 services, when you
21 say, "number of services," does that relate to bills?
22 Customers? And it's a small number compared to the
23 number of luminaires obviously. There's something
24 like 15,000 luminaires.
25 And the sentinels are twenty-five

1 thousand nine hundred and seventy-four (25,974). So I
2 assume that -- that each sentinel is like a farm or a
3 house, you know, somebody in the back yard. They've
4 got a sentinel light. That there are, in effect,
5 twenty-five thousand nine hundred and seventy-four
6 (25,974) different sentinel customers or bills.
7 Is that right?
8
9 (BRIEF PAUSE)
10
11 MS. KELLY DERKSEN: With respect to
12 sentinel, one (1) customer equals one (1) sentinel
13 light. So, yes, that's correct.
14 MR. JOHN TODD: And with the zone 1
15 and zone 2 street lights, there's let's call it seven
16 hundred (700) or eight hundred (800), a little under
17 eight hundred (800) altogether. Is that eight hundred
18 (800) different street lighting customers?
19 I know the City of Winnipeg has a
20 number of different street lighting bills. So that --
21 how do you define a service for a street light?
22
23 (BRIEF PAUSE)
24
25 MR. JOHN TODD: This is very unfair

after your short night's sleep last night, isn't it?

MS. KELLY DERKSEN: The -- this is number of bills actually, and what we do is we take one (1) light and for row or for Zone 1 -- excuse me just a minute.

(BRIEF PAUSE)

MS. KELLY DERKSEN: For zone 1, we assume that eight hundred and sixty (860) lights are one (1) bill. And for zones 2 and 3, we assume that sixty-six (66) lights are one (1) bill.

MR. JOHN TODD: Sorry, don't you know the actual number of bills? I mean, surely you know how many bills you issue in zone 1 and zone 2 and 3.

(BRIEF PAUSE)

MS. KELLY DERKSEN: Yeah, presumably we know that. It's -- this is dated information, and that's the assumption that continues today.

MR. JOHN TODD: Do I need to write evidence suggesting that you change that, or would you -- is that something that would be updated given that you have the information?

1 MS. KELLY DERKSEN: No, not
2 necessarily. Just add it to -- you know, we'll have
3 to have a good discussion about setting some
4 priorities here because I'm a little bit afraid of
5 what's going to come out of this process. And so at
6 some point in this process, we're going to have to
7 decide on -- on priorities.
8 MR. JOHN TODD: But you do agree with
9 me that you know the number that would go in there if
10 you're using actual bills as opposed to some ratio.
11 In fact, the actual bills may be easier to determine
12 than some ratio.
13 MS. KELLY DERKSEN: It's possible.
14 It's -- it's a quick change. You know, I haven't
15 thought about it enough to know.
16 MR. JOHN TODD: Okay. Understood.
17 That's helpful. Thank you.
18 I'd like to move on to customer service
19 general. And, Mr. Grant, I -- I'm not going quite as
20 fast as I had anticipated. Maybe I'd get some
21 indulgence for having backed off the last two (2)
22 days, or circle back at the end.
23 THE FACILITATOR: Yeah. Your hour
24 would be up at ten (10) after. How about if you try
25 and cut to the chase on the questions a little bit

1 more, and let's go until quarter after.

2 MR. JOHN TODD: I am slapped on the

3 wrist, but you usually slap me on the back.

4 Customer service general, PCOSS14, the

5 allocated cost tab. That -- it's near the beginning.

6 It's the third tab, yeah, allocated cost grid.

7

8 (BRIEF PAUSE)

9

10 MR. JOHN TODD: Line 37, if you move

11 up a bit. Yeah, line 37. So C10, what -- what we're

12 understanding here is customer service general is

13 allocated using the C10 allocator; those are the

14 costs.

15

16 (BRIEF PAUSE)

17

18 MR. JOHN TODD: These are costs that

19 are -- how would those costs relate to street

20 lighting? These are sort of customer service. So

21 this would be call centre for people calling in. Is

22 that right? It's not billing because billing a

23 separate category of costs?

24 This is sort of -- this is sort of all

25 the leftover costs when you take out the specific

1 costs that are other items?

2

3 (BRIEF PAUSE)

4

5 MS. KELLY DERKSEN: Load research

6 rates and cost of service, customer policy, service

7 extension, power quality, public accountability. You

8 know, there's a number of -- of customer service

9 department costs in there.

10 MR. JOHN TODD: Okay. And we see on

11 the C tables, which is one (1) of the yellow tabs on

12 the -- on the right over there, we can see the C10

13 allocator which is up on the screen, weighted -- the -

14 - the weighted ratio. And there's not a reference

15 amount, so these are all relative.

16 So, for example, if you look at

17 residential at point five one (.51) and area and

18 roadway lighting at point-o-two (.02), what that's

19 saying is that per luminaire, area and roadway

20 lighting is about one twenty-fifth of the customer

21 service costs compared to one (1) standard and all

22 electric residential customer.

23 Is that correct?

24

25 (BRIEF PAUSE)

1 MS. KELLY DERKSEN: That's true, yes.
2 MR. JOHN TODD: Okay. And C90, which
3 is the number of customers unadjusted, that's just the
4 number of -- that number is one fifty-five (155).
5 I'll try to speed things up. You're not actually
6 looking at the numbers, but take it subject to check
7 if you want. The number of ARL is a hundred and
8 fifty-five thousand (155,000) and some, so we're
9 talking luminaires there. We're not talking anything
10 else, right?
11 MS. KELLY DERKSEN: That's right.
12 MR. JOHN TODD: And that compares in
13 the class to the twenty-five thousand seven hundred
14 and fifty (25,750) bills, most of which are sentinel?
15 MS. KELLY DERKSEN: Is that the number
16 we were just talking about --
17 MR. JOHN TODD: Yeah.
18 MS. KELLY DERKSEN: -- previously?
19 MR. JOHN TODD: Yes.
20 MS. KELLY DERKSEN: Yes.
21 MR. JOHN TODD: And we saw that most -
22 - well, first of all, at the beginning, we saw that
23 there's a separate rate for sentinels compared to
24 street lighting, right? And we also saw that a lot of
25 the driver in terms of the count is actually

luminaires, but their sort of the luminaires versus bills versus the connection are very different between luminaires and -- and street lighting.

Would you agree with that?

(BRIEF PAUSE)

MR. JOHN TODD: Let me put it differently. In other jurisdictions, sentinel lights and streetlights are often treated as separate classes both for rates and for cost allocation. Other than that's the way you do it and this is the tail on the dog, is there any specific reason for not doing that here that you're aware of?

(BRIEF PAUSE)

MS. KELLY DERKSEN: You know, we haven't looked at a lot of these issues in quite some time. It -- it could likely boil down to an issue of -- of materiality also.

MR. JOHN TODD: Okay. You know, I may be able to finish up in five (5) minutes.

THE FACILITATOR: Okay.

MR. JOHN TODD: Can we turn to brief -

1 - to slide 47 in your presentation?

2

3 (BRIEF PAUSE)

4

5 MR. JOHN TODD: Treatment of net

6 export revenue. NER is viewed as a system div --

7 dividend to be shared in a fair and equitable manner

8 and is allocated based on total allocated costs.

9 So one (1) could argue that the net

10 export revenue should go back to the customers who are

11 paying for the fac -- facilities that are being used,

12 which is essentially generation and transmission and

13 not distribution. But that's -- that would be a

14 different approach.

15 This is sort of a dividend to

16 everybody. And this bullet point explains why it

17 includes distribution.

18 Is that correct? Do you understand the

19 issue correctly?

20 MS. KELLY DERKSEN: Yes, you're --

21 you're asking what the -- well, you're pointing out

22 that there are different ways that you could view what

23 net export revenue is in terms of cost allocation.

24 Your -- your first point is you could choose to view

25 it as revenue made available by the generation

1 transmission resources and return it on each classes
2 allocated portion of those facilities.
3 You could chose as Manitoba Hydro has
4 done, to distribute net export revenue on the basis of
5 total allocated cost by class. So, yes, I -- I
6 understand that.
7 MR. JOHN TODD: Okay. So if we turn
8 to the net export revenue tab in PCOSS14, which is one
9 (1) of the blue tab far -- farther to -- much farther
10 to the right. There we go.
11 And if we can look at cell D71. I
12 think this does matter looking at the cell. If you
13 actually look at the top of the screen, you know,
14 where it shows the formula you see that the way this -
15 - the way -- the way net export revenue is allocated
16 back takes total costs minus direct costs, right.
17 So that six-six-three-three (6633) is
18 the classified cost. It's the number we saw way back
19 at the beginning. The classified cost's total and --
20 it's -- it's distinct from directly allocated,
21 correct?
22 MS. KELLY DERKSEN: I haven't quite
23 thought that through, but I -- I'll accept that it's
24 total costs less direct costs.
25 MR. JOHN TODD: And we were looking at

1 the two (2) numbers before. We saw the six-six-three-
2 three (6633) as the -- on the table that was the
3 allocated -- or classified costs. Okay. And we
4 agreed that direct costs are 70 percent for roadway.
5 And if we scroll down to diesel, put it
6 on that cell, you'll see that its total cost -- you
7 don't deduct direct cost from them. If you deduct
8 direct cost from them there'd be zero, because 100
9 percent of their cost is direct costs, right?
10 In other words they would get none of
11 the export rev -- net export revenue if you deducted
12 direct from total costs?
13 MS. KELLY DERKSEN: Yes, that's
14 subject to the terms of a specific agreement with --
15 with that caveat, yes.
16 MR. JOHN TODD: Okay. And if we go up
17 the column we see everybody else has total cost minus
18 direct costs, right?
19 MS. KELLY DERKSEN: Yes.
20 MR. JOHN TODD: Okay. And I've got a
21 sheet that I've prepared which is a version of this,
22 which we can call up, which adds to it direct cost
23 total. And do you see that high -- highlighted column
24 to the right shows the ratio of direct to classified
25 costs.

1 And as we see if we look at roadway
2 area lighting, we see down on the bottom there is the
3 70 percent we've been seeing. GSM is the same --
4 almost the same. It's point six nine (.69), GSL,
5 point four six (.46), but the rest are sort of -- 1 or
6 2 percent of their costs are direct costs, right?
7 Okay.
8 So my question is: Given that, number
9 1, what you've said is it's distributed to people
10 based on total costs, period, not total costs minus
11 direct costs, and second, that this is -- the concept
12 is fairness, which is why distribution is included at
13 all, why is it appropriate to deduct direct costs from
14 the total to come up with the allocator for net export
15 revenue?
16 And it matters to the City because it
17 makes a difference between a ratio -- a revenue cost
18 ratio of a hundred point two (100.2) and a hundred and
19 four point four (104.4). Big difference.
20 MS. KELLY DERKSEN: It all -- and
21 subject to this, Mr. Todd, if you accept the Board's
22 direction in 116/08, export revenue is actually
23 negative. And if you are going down the path that
24 you're going down and you ultimately -- we ultimately
25 land in the same -- with the same outcome today as we

1 did in 2008, be careful what you wish for here because
2 you will get greater levels of cost assigned to the
3 area and roadway -- to the area and roadway lighting
4 class.
5 That said, I understand that there
6 could be an argument made that net export revenue
7 after you've made some attempt to reasonably assign
8 costs to the export class is really this pool of -- of
9 revenue that we said is -- is surplus to embedded
10 costs. So it -- it really can be used for -- in a
11 number of different ways.
12 The -- the demarcation point that
13 Manitoba Hydro has elected is to say, Well, we think
14 it's most reasonable that we cut it off at the metre
15 because we don't afford a residential customer the
16 treatment of including, you know, the cost of their
17 fridge and stove.
18 So, I mean, that's the basis on which
19 we have made that judgment call. It's not more
20 scientific than that. It's a judgment call. You
21 could make the argument that dedicated end-use
22 facilities which are significant to the customers that
23 you represent be assigned some net export revenue.
24 But, like I said, you -- it depen -- it all depends on
25 how you allocate cost as to what you have left over.

1 MR. JOHN TODD: Yeah, and there are a
2 number of moving parts in terms of proposals that you
3 have put forward that will impact on the way the PCOSS
4 looks in the future.
5 And my directions are don't worry about
6 what I wish for because we're here for truth and
7 justice only and have it done the correct way. And
8 the City's quite happy to pay more if that's fair.
9 THE FACILITATOR: John --
10 MR. JOHN TODD: With that, I'm
11 finished.
12 THE FACILITATOR: -- yeah. I was
13 going to say I think -- I think you have the
14 information that you need for the argument that I
15 anticipate you're going to make.
16 Thank you, everyone. How about if we
17 come back at 1:20.
18
19 --- Upon recessing at 12:17 p.m.
20 --- Upon resuming at 1:20 p.m.
21
22 THE FACILITATOR: All right, everyone,
23 we're plugging along nicely towards the finish line
24 here, and it's up for General Service.
25

1 QUESTIONS BY GENERAL SERVICE CONSUMERS:

2 MR. CHRISTIAN MONNIN: Thank you. I -

3 - I just have a few points that I'd like to clarify,

4 and then I'll pass it over to Lon -- to Lon -- London

5 Economics International.

6 Well, I'd like to take off two (2) of

7 our pre-asks that we'd filed in -- in discussions with

8 -- with Hydro, Pre-Ask number 2 and Pre-Ask number 11.

9 For completeness of the transcript, I know everyone

10 can read, but I do want to put this onto the

11 transcript.

12 Pre-Ask number 2, thank you, Diana.

13 And the question there is:

14 "The targets on a reasonableness for

15 revenue cost coverage is to be

16 within the range of 95 percent to

17 105 percent to understand the

18 rationale of cost in revenue

19 allocating -- allocation resulting

20 in RCCs outside the defiant ZOR,

21 [zed if you're from the US].

22 Please advise of the following:

23 What is the justification of using

24 this range of ZOR?. B) Why does

25 Manitoba Hydro deem it appropriate

that the general service small non-demand RCC is above the range -- this range, and the general service large, zero to 30 kV is under this range?"

And, Diana, if you go to Pre-Ask 11, please, I'd like to read that into the record. And -- and a correction, if you could scroll up a little bit, Diana, you'll see that mistakenly -- just a little bit higher, please, again. A little bit more.

Yeah, on that -- the -- the extreme right, it says "Pre-Ask 10". Obviously, that should read Pre-Ask 11, and you have the GSM -- GSS Pre-Ask 11 again on the left-hand side.

For the benefit of record, the preamble GSS/GSM has asked of Manitoba Hydro the justification for using 95 to 105 percent as target zone of reasonableness for customer class revenue, cost coverage ratios.

In PUB IR-15, the past four (4) perspective cost-of-service studies show that general service small non-demand customers have experienced incrementally high RCCs, all above 105 percent ceiling target.

If you can scroll down, please.

1 Likewise, general service large zero to 30 kV has --
2 have seen successfully lower RCCs in the past three
3 (3) studies, all below the 95 percent floor target.
4 The question is, therefore:
5 Is Manitoba Hydro's objection to return
6 this class to the ZOR?
7 2. What is the time frame for doing
8 so?
9 3. If not, why have these classes
10 remained outside the ZOR?
11 Diana, if you can Order number 26/'16,
12 page 16 thereof, please? Thank you. And the first
13 five (5) sentences of -- of that page:
14 "The Board accepts Manitoba Hydro's
15 submission that -- that of the rate
16 -- rate-related matters identified
17 in Board -- in the Board's January
18 22nd, 2016, letter, rate rebalancing
19 time-of-use rates and conservation
20 rates should be excluded at the
21 scope of this hearing and be dealt
22 with at the next general rate
23 application.
24 The outcome of this cost-of-service
25 methodology review will permit

1 Manitoba Hydro to address any rate
2 rebalancing requirements at such a
3 hearing."
4 Hydro has indicated that those pre-asks
5 are out of the scope based on the language of the
6 order therein, and we're comfortable with that. And I
7 just wanted to put that on the record.
8 MS. KELLY DERKSEN: Thank you, Mr.
9 Monnin.
10 MR. CHRISTIAN MONNIN: And -- and last
11 but not least, Mr. Grant, yesterday we indicted we
12 were going through whether any of the questions of the
13 pre-ask were outstanding. We said that we are all
14 current save for just one -- to remind there was one
15 (1) undertaking outstanding. And we're going to tease
16 that out and make sure that it's -- it's forwarded on
17 to -- to Hydro at the end of the day.
18 THE FACILITATOR: And so I understand
19 it correctly, your Pre-ask number 2 and number 11 are
20 essentially withdrawn at this point?
21 MR. CHRISTIAN MONNIN: That's correct.
22 THE FACILITATOR: Thank you.
23 MR. IAN CHOW: Okay, so I've got a few
24 questions here on the classification of poles and
25 fixtures before I'll turn it over to -- to Mr. Leslie.

1 We started along that -- that path of questioning, I
2 think, this morning. The classification of 40 percent
3 has customer driven and 60 percent is demand driven.
4 And we talked about the zero intercept and minimum --
5 minimum system approach.
6 Which approach was actually used by
7 Manitoba Hydro in this -- to -- to determine 40:60
8 split?
9 MS. KELLY DERKSEN: My understand is
10 neither. We've taken a fixed cost separation approach
11 based on the advice of a consultant a number of years
12 ago. And it was generally viewed by that consultant
13 that the 60:40 split between demanding customer for
14 poles and wires was consistent with their experience
15 in the industry at the time as well as the -- the
16 limitations of data availability with respect to
17 Manitoba Hydro.
18 So we took the approach to fix it on --
19 on that basis.
20 MR. IAN CHOW: Okay. And when was
21 that analysis -- or recommendation given?
22 MS. KELLY DERKSEN: That's flowing
23 from an Ernst & Young report approximately 1991.
24 MR. IAN CHOW: Okay. And since --
25 since then, Manitoba Hydro has not deemed it necessary

1 to -- to look at this again?

2 MS. KELLY DERKSEN: Necessary? Vis-a-

3 vis other priorities, I suppose you could conclude

4 that. The impact of any outcome, first of all, there

5 are a couple of things happening here. Is -- 1) let's

6 accept or debate the methodology, which is, is it

7 appropriate to classify distribution poles and wires

8 on the basis of demand and customer.

9 And so if you're able to conclude that

10 and that was the advice most currently received by us

11 from Christensen Associ -- Associates, that satisfies

12 us that we've -- that the methodology is sound.

13 So if it's a matter of refining then

14 the allocators, that's -- that's a different issue.

15 So if the issues about the methodology we think were

16 on solid ground, if the issues about refining the --

17 the specific percentages, I suppose one, you know, can

18 add that to the list. But, you know, the first test,

19 from our perse -- perspective, is the most important

20 one.

21 MR. IAN CHOW: Understood. My

22 questions are more surrounding the -- the latter, so

23 regarding the actual definition of 60 versus -- versus

24 40. Now, could you go into a little bit more detail

25 on the -- the methodology that was used?

(BRIEF PAUSE)

MS. KELLY DERKSEN: Generally, it's understood -- excuse me -- that distribution pulls in wire serve two (2) functions. This is -- this is the methodology. One (1) is, it has to be suff -- sufficiently long enough to connect to the customer. Secondly, it has to be significantly large enough in order to meet the peak require -- peak requirements of the customers that are served off of that system.

And so the -- the demarcation point that is attempting to be drawn between how much of it is demand, and how much of it is -- is customer, is -- is the issue that is often subject to debate. And we've -- it -- it's based on a -- a judgment call from -- based on the advice of our consultant at the time that it was prepared. And -- and they have advised that 60 percent of poles and wires costs are incurred driven by the -- the peak requirements of the -- of the customers served off of that system.

The remaining portion of it is related to serving customer needs. And there's a -- an extension to that also. And there's -- in -- inherent in a customer number that is drawn out of the analysis

1 the -- that splits between demand and customer, and in
2 particular with respect to customer, is that there is
3 a distribution -- excuse me, a distance based
4 component -- component of it, arguably. That the --
5 the further away that a customer it is -- they are the
6 more it costs to serve that customer. And so inherent
7 in that split also is some consideration of, you know,
8 how close or far a customer might reside to that
9 system.
10 So I think those are the types of
11 things that underpin it. Has -- has there been an
12 update in terms of where you draw the line between the
13 two (2)? No. It's -- I understand it's commonly done
14 in industry.
15 Those percentages specifically are
16 common in industry. We use a 65:35 split to draw the
17 line between customer and demand on the -- on the gas
18 side of our business also. So, you know, it's -- it's
19 fairly common. It's very subjective. So that's the
20 kind of theoretical considerations that go into
21 drawing between those two (2) things.
22 MR. ROBERT CAMFIELD: If -- if I could
23 just add to this discussion a little bit, Kelly. Over
24 -- over decades I've conducted various studies, the
25 cost -- distribution cost studies. And these studies

1 drawn upon two (2) different methodologies, one (1) of
2 which would be a econometric statistic of analytics
3 often applied to pooled data, pooled time series, and
4 cross-sectional data.
5 In other words, looking at a number of
6 customers, thus the cross-sectional dimension over a
7 number of years where the real stock of capital, poles
8 and wires, and other elements are -- are part of that
9 -- on that right-hand side variable, if you please.
10 And what are the explanatory variables that give rise
11 to that? And what you find is -- is a couple of
12 things that I think are really overarching. First,
13 it's a very mixed bag. So the market context matters
14 a great deal.
15 And secondly, the maturity of the
16 system so that, in more contemporary years, where you
17 -- where the distribution system's been built out
18 substantially, the share of incremental costs
19 associated with demand and associated with customers
20 looks quite a bit different than it does during the
21 early years that those systems were developed.
22 Now, in this case, of course, we're --
23 we're in the world of embedded cost allocation. So
24 we're allocating the financial costs of distribution
25 of those facilities that have been placed over

1 decades. So over that time frame certainly the
2 relative shares of cost attributable to customers and
3 attributable to demand evolves a bit.
4 And for that reason, I don't think
5 necessarily you can look at just what's in the capital
6 budget prospectively over the next few years and draw
7 much conclusion about what might things look like on
8 an embedded basis implicit in the financial account --
9 accounting records on facilities that have very long
10 lives over decades.
11 MR. IAN CHOW: Thank you.
12 MR. JAROME LESLIE: Hi. My first
13 question relates to PUB IR number 53, Part E, and the
14 response from Hydro to that specific IR. It also ties
15 in with RPS 5 and 6 on the topic of hourly load
16 profiles.
17
18 (BRIEF PAUSE)
19
20 MR. JAROME LESLIE: So Manitoba Hydro
21 has provided hourly load data from 2004/2005 through
22 to 2011, 2015, for each customer class. And we're
23 wondering if it is possible to extend this to include
24 the years 2012/2013 through to 2014/2015.
25 Is it possible that you can expand on

your -- the data you provided?

(BRIEF PAUSE)

MS. KELLY DERKSEN: We have '12/'13 data available. Load research is historical information, so anything beyond -- up to the -- let's say up to the end of the -- the fiscal year which just concluded won't -- there is -- there isn't any data yet available.

So we have for the '12/'13 year and '13/'14 year. '14/'15 I'm -- I am advised is not yet available.

MR. JAROME LESLIE: Okay. And in response to PUB's IR number 53, you provided an Excel file with this load data. So is it possible that you can provide those additional years, 2012/2013 and 2013/2014 in the same format?

MS. KELLY DERKSEN: We can do that.

MR. JAROME LESLIE: Thank you. Could we have this as an official undertaking?

(BRIEF PAUSE)

MR. JAROME LESLIE: It's regarding PUB

1 IR-53 on annual average load profiles by customer
2 class, requesting an Excel file be provided with the
3 years 2012/2013 and 2013/2014 data.
4 THE FACILITATOR: Thank you.
5
6 --- UNDERTAKING NO. 15: Manitoba Hydro to provide
7 Excel file with annual
8 average load profiles by
9 customer class for years
10 2012/2013 and 2013/2014
11
12 MR. JAROME LESLIE: Okay. My next
13 question is related to PCOSS14 amended, page 4.
14 Right. Manitoba Hydro provides here a breakdown in
15 the change in the costs assigned and the net export
16 revenue attributed to the export class based on
17 adopting the specific amendments to the methodology in
18 the shown document.
19 Now, the amendments overall resulted in
20 a reallocation of the $7 million of cost from the
21 export class. And my question relates to, can you
22 comment on which classes to which this -- these costs
23 have been reassigned?
24 MS. KELLY DERKSEN: Are we talking
25 broadly speaking, or...

1 MR. JAROME LESLIE: Broadly speaking.

2

3 (BRIEF PAUSE)

4

5 MS. KELLY DERKSEN: In PCOSS14 Amended

6 and also in PCOSS14 as we have provided in some of the

7 MFR materials a couple of months ago, if you look at

8 the total cost column schedules on -- on any of the --

9 the summary schedules that provide them, if you simply

10 subtract each of the classes difference in total -- in

11 total cost you'll be able to identify where those

12 costs are moving.

13 MR. JAROME LESLIE: Fair -- fair

14 enough. And would you confirm that the amendments

15 implemented through the -- this finding that -- of

16 topic right now, have resulted in the majority of

17 these costs being picked up by general service

18 customer classes, large -- large, medium, as well as

19 small groups?

20

21 (BRIEF PAUSE)

22

23 MS. KELLY DERKSEN: I don't have the -

24 - the materials immediately at my hands here, but I

25 think generally the -- the answer is, yes, with the

1 caveat that in addition to the changes that we're
2 talking about now, which are related to the export
3 class, we have made modification to methodology
4 separate and distinct from the discussion that we're
5 having now that will have some influence also.
6 So with that caveat, generally I think
7 that's a fair comment.
8 MR. JAROME LESLIE: Okay. Yes.
9 That's understood that -- it relates to my -- my last
10 question, because in terms of addressing the
11 robustness of our costs -- our approach to cost of
12 service, and given that the last cost of service
13 methodology review was about a decade ago, and
14 presumably we would want to review again after another
15 ten (10) years, can you comment on the robus -- the
16 robustness of the study and some of the risks to the
17 methodology over time as the system changes,
18 particularly as in regards to potential further
19 amendments to the cost of service methodology?
20 MS. KELLY DERKSEN: You know, that's a
21 big question. There are no guarantees in terms of
22 robustness. It's just not possible for me to
23 guarantee that. In terms of, you know, ten (10) years
24 ago having reviewed last cost of service methodology,
25 that would not be our intention going forward.

1 Our intention going forward is to
2 include cost of service in our general rate
3 applications and, you know, as issues arise from a
4 metho -- methodology perspective, from a revenue
5 requirement perspective, those issues could be
6 addressed within the context of a -- a general rate
7 application.
8 In terms of -- it -- it's much easier
9 to take sort of little bite-size pieces as you go than
10 to have one (1) massive process like this. I'm sure
11 you can appreciate, so. And it pro -- it appropriate
12 belongs in conjunction with -- it -- in -- in
13 conjunction with a general rate-setting process.
14 In terms of investment -- investments
15 upcoming, we know that we're adding significant
16 generation cost that will tend to shift cost
17 responsibility to the larger volume customer classes,
18 most predominantly those who take generation and
19 transmission service only, so that -- that would
20 generally be the expectation.
21 What we haven't talked about is
22 distribution. And so that will have some influence in
23 -- in terms of the makeup of cost, also, for those
24 customer classes that partake in that -- in that
25 service.

1 So there will be a -- a number of
2 moving pieces that -- that are -- that are going to
3 occur. You're -- we're bringing in large investment.
4 Without question, there are going to be issues that we
5 haven't contemplated that occur. You know, some --
6 you -- sometimes the devil isn't in the details, and
7 so I would anticipate that we -- there will be some
8 issues that will need to be addressed that we haven't
9 thought -- thought about at -- at this time. I think
10 those can also be addressed adequately through a
11 general rate application process.
12 And in terms of rate changes, though,
13 which is ultimately the issue that flows out of cost-
14 of-service, because that's what cost-of-service is all
15 about, that is a discussion for another day. It's,
16 what do you do with all of this information? What
17 happens if there are material -- material changes in
18 terms of RCCs that push you outside of the zone of
19 reasonableness?
20 The zone of reasonableness is a target.
21 How long does the Utility intend to take to move back
22 in that zone of reasonableness? To the extent that
23 that happens, those are all questions that we will
24 need to address at -- at the next general rate appli -
25 - beginning at the -- at the next general rate

application.

MR. JAROME LESLIE: Oh, fair enough. And thank you. That's -- that's my questions.

MR. CHRISTIAN MONNIN: Just a question for clarification for process, and I may have missed it, and if I did, I apologize. I'm counting that we have two (2) undertakings based on that. Once this is all wrapped up, will the undertakings be collated by -- by the PUB, and then sent out, or is it incumbent on each party to go through the transcript and identify those undertakings, and then send them to the Board?

MS. ODETTE FERNANDES: I believe Manitoba Hydro has a list, as well, that it's keeping. And we're looking through the transcript and just making sure we've got all the ones that have been recorded. And then we will be providing the responses based on that.

MR. CHRISTIAN MONNIN: Thank you, counsel.

(BRIEF PAUSE)

THE FACILITATOR: Great. Thank you. Sorry, from discussions earlier on, do I understand, Patrick, that you're going -- like, the -- right.

1 Sorry, my understanding was MKO does not have
2 questions.
3 MR. GEORGE ORLE: Thank you. We -- we
4 have allocated our time to Mr. Harper, as he's
5 covering many of the issues that we have.
6 THE FACILITATOR: It seems Bill has
7 managed to turn the time into a commodity, as well.
8 MR. GEORGE ORLE: We were making a
9 fair profit on it.
10
11 (BRIEF PAUSE)
12
13 MR. GEORGE ORLE: My understanding is
14 that the half hour allotted to him was not sufficient
15 for him to answer all of our questions, and so we have
16 given him our time.
17 THE FACILITATOR: Yes. I understand
18 he's not going to be an hour, but he's going to be
19 more than a half an hour.
20 Patrick, you're on now.
21
22 QUESTIONS BY MIPUG:
23 MR. PATRICK BOWMAN: Yes, we're less
24 concerned about the time of the commodity than the
25 first round draft pick going the other way.

1 On the spir -- spirit of undertakings
2 that we had, going back over our notes, it seems that
3 there was one (1) that we managed to ask all the
4 questions on, but we never finished with just getting
5 a clean up undertaking. And that was -- so very
6 quickly, there was a response to a question. It was
7 Coalition-85F, Attachment 1.
8 Hydro had run a full cost-of-service
9 study under a certain set of methodology. And the
10 only undertaking was if we could get Schedules B2 and
11 B3, which are the unit cost schedules, but without
12 having the net export revenues deducted off of those.
13 And I -- I don't -- I don't think that's a difficult
14 thing, but I don't think it made the record as an
15 undertaking.
16 THE FACILITATOR: And -- and so the
17 undertaking is that they would provide Schedules B2
18 and B3, without the deduction.
19 MR. PATRICK BOWMAN: Yes, that's
20 correct. Yes.
21
22 --- UNDERTAKING NO. 16: Manitoba Hydro to provide
23 Schedules B2 and B3
24 without the net revenue
25 being deducted

1 MR. PATRICK BOWMAN: So the first area
2 we're going to go to is what's talked about a little
3 bit this morning. And it's probably easiest to deal
4 with it to pull up PCOSS14, page 28. And this is a --
5 the -- the page that lists the -- the different
6 allocators. And if we scroll down a little bit,
7 there's the allocator C10. And there had been some
8 discussion with Mr. Todd about this.
9 And just to make sure we're all on the
10 same page, so C10 is a -- a -- an allocator used to
11 allocate things that are called 'customer service
12 general'. They make up about $46 million of revenue
13 requirement. And they're within a grouping that are
14 distribution services.
15 That -- is that -- that -- we're --
16 we're on the same page, then?
17 MS. KELLY DERKSEN: Yes. Yeah.
18 MR. PATRICK BOWMAN: Okay. And of the
19 distribution services, this is almost half of the 110
20 million or -- or so in -- in revenue requirement? Oh,
21 it -- it doesn't matter. It's a -- it's a large
22 component of the hundred and ten (110), nonetheless.
23
24 (BRIEF PAUSE)
25

1 MR. PATRICK BOWMAN: It -- it doesn't
2 -- it -- it's not a huge deal. It's just to focus on
3 the fact that there is a fair bit of dollars here, and
4 that the -- this category does include allocations to
5 the industrials, unlike other distribution components,
6 is all that I wanted to clarify.
7 MS. KELLY DERKSEN: Just give me a
8 minute. I'm on the wrong page here.
9
10 (BRIEF PAUSE)
11
12 MS. KELLY DERKSEN: Okay. I'm there.
13 MR. PATRICK BOWMAN: Yeah, okay. So
14 the 46 million revenue requirement related to C10.
15 No, there's not -- there was not a lot of information
16 about this in the cost-of-service study, so we
17 followed up with an IR, which was MIPUG-4, which I
18 believe Diana probably has ready.
19 And so MIPUG-4 asked about the C10
20 allocator. And if we can go to the fifth page of this
21 IR? And you'll see this total C10 cost 46 million.
22 That's the same number we just saw in the cost-of-
23 service study.
24
25 (BRIEF PAUSE)

1 MS. KELLY DERKSEN: Yes, I'm there.

2 MR. PATRICK BOWMAN: Okay. And the --

3 and Mr. Todd had asked about the types of things that

4 were in here, and as I recall, you did a very good job

5 of listing off a number of these different categories.

6 But just to give an idea of where those dollars come

7 from, this is -- this is the list, and the largest

8 component being customer consultation annual

9 information.

10 MS. KELLY DERKSEN: Yes.

11 MR. PATRICK BOWMAN: So if we can go

12 back to the first page of this interrogatory response,

13 our question was how this is allocated. We were given

14 some detail. But the fir -- as you go to there, the

15 question at the -- the bottom of this page, Diana.

16 The -- the example that was given is, these are

17 customer-related costs.

18 They used to be done on an unweighted

19 basis. Every customer got a share regardless to their

20 size. And some -- sometime starting about 2001, Hydro

21 started weighting them, because different customers

22 required different amounts of these different

23 services. And the example was the key accounts

24 department only deals with industrials.

25 MS. KELLY DERKSEN: Yes, that's right.

1 MR. PATRICK BOWMAN: And if we can go
2 back to page 5, just to clarify, then, the -- the key
3 accounts department is the example you gave.
4 Where -- where would be in these costs?
5 Is it part of customer consultation and information?
6 MS. KELLY DERKSEN: Yeah, it -- it
7 would be in there.
8 MR. PATRICK BOWMAN: Okay. So now if
9 you go back to the third page of this response, are --
10 are -- third page. Let me check. That's -- right.
11 So across the top, we have those same categories that
12 were listed in the back, so Customer Consultation
13 Information being the first one, the biggest one, and
14 then Public Accountability, Rates, and Cost of
15 Service, those -- those headings.
16 And as I understand it, these are the
17 percentages that were explaining how this C10 is
18 allocated to the various classes.
19 MS. KELLY DERKSEN: Yes.
20 MR. PATRICK BOWMAN: And I guess just
21 to clarify, if I go down to another part called
22 Planned Orders by SCC, it seems to give a weighting to
23 each of those columns for a set of numbers that add up
24 to 28.8 million, not -- not the same 40 -- 46 million,
25 so some subset that is meant to say how -- how

1 important each of those categories is for the purpose
2 of developing the weighting.
3 But can you explain what Planned Orders
4 by SCC is and -- and why it would add to a different
5 number?
6 MS. KELLY DERKSEN: I don't think I
7 could do that justice right now, so I'd have to follow
8 up with you.
9
10 --- UNDERTAKING NO. 17: Manitoba Hydro to explain
11 what Planned Orders by SCC
12 is and why it would add to
13 a different number
14
15 MR. PATRICK BOWMAN: That -- that's
16 fine. We can follow up. It was -- honestly, it was
17 Mr. Harper's question. I was trying to help him out,
18 but I had the same one. But nonetheless, it's meant
19 to -- it clearly is meant to somehow replicate that
20 customer consultation information's your biggest
21 category. It gets 67 percent of the weighting.
22 Something like rates and cost of service is -- is
23 rather small in that -- in that number.
24 MS. KELLY DERKSEN: Yes. Generally
25 yes, yeah.

1 MR. PATRICK BOWMAN: So now if I go up
2 to the table above, I presume the idea is that
3 somebody went through these -- each of these different
4 areas and said, How much does each of these customer
5 classes use or require, each of these services?
6 MS. KELLY DERKSEN: Yeah. We tend to
7 work with some of the managers and division managers
8 to get a -- an assessment of, you know, where they
9 spend their time, at least in part.
10 MR. PATRICK BOWMAN: So something like
11 municipal and community relations, the second column,
12 if I'm looking at it from like a residential row at 80
13 percent, a lighting row at zero percent, greater than
14 100 kV is sort of 1 percent, that's -- that's by
15 talking to people who are in munic -- municipal and
16 community relations about the types of things they do?
17
18 (BRIEF PAUSE)
19
20 MS. KELLY DERKSEN: Yes, that's --
21 that's fair.
22 MR. PATRICK BOWMAN: And something
23 like rates and cost of service, I presume that's your
24 -- your area?
25 MS. KELLY DERKSEN: Yes, that would be

1 my area.

2 MR. PATRICK BOWMAN: And if I look

3 across it, you do a lot with industrials, the 11.8

4 percent, for example, where, regardless of the -- the

5 other columns, yours is much more weighted that way?

6 MS. KELLY DERKSEN: This would be a

7 combination of my department and the rates department

8 which is not my department, but, yes.

9 MR. PATRICK BOWMAN: So if we look at

10 something like people are trying to develop a time-of-

11 use rate, the rates department might be booking their

12 time to some category of investigating how to do that.

13 And that would then feed into bringing up this 11

14 percent number. That's -- that's the idea of what --

15 presumably how these were developed.

16 MS. KELLY DERKSEN: Yes, and it --

17 it's also, you know, the time spent or the estimated

18 time spent on preparing rate information, rate

19 surveys, that kind of thing.

20 MR. PATRICK BOWMAN: Right. Fair --

21 fair enough. But to quote you, the -- the -- by far

22 the biggest percentage is this customer consultation

23 information column which has these -- the different

24 breakdowns which will ultimately fairly closely

25 parallel what we end up with as results for the group?

1 MS. KELLY DERKSEN: Yes.

2 MR. PATRICK BOWMAN: So if we can now

3 go to the next page, now this is where we take that

4 same group of costs and we go to -- to allocate them.

5 And in the first -- if I understand correctly, the --

6 the left-hand side of that is basically just a count

7 of customers.

8 It's Hydro's five hundred (500) -- oh,

9 oh, we lost the number. It's down a little bit for

10 that first part. Hydro five hundred fifty-one

11 thousand seven hundred and sixty-eight point two

12 (551,768.2) customers and where they fall in each of

13 the classes.

14 MS. KELLY DERKSEN: I'm not certain

15 that -- if this is customer numbers or if this is

16 metres.

17 MR. PATRICK BOWMAN: They're pretty

18 close, though, usually, yeah, right? Okay.

19 MS. KELLY DERKSEN: Yeah, okay. Yes.

20 MR. PATRICK BOWMAN: I accept that.

21 And what this says -- this is an unweighted. It's

22 just where that five fifty-one (551) arises? Am I --

23 am I right about that part?

24 MS. KELLY DERKSEN: Yes.

25 MR. PATRICK BOWMAN: Okay.

1 MS. KELLY DERKSEN: Yeah.

2 MR. PATRICK BOWMAN: And then if we

3 move across, there's -- there's a middle part that

4 just tries to say there's some percentages.

5 And then we get to the far right-hand

6 side, if we keep moving, and this number -- this side

7 has the same number down in the bottom corner, five-

8 five one seven sixty-three (551,763) -- or seven

9 sixty-eight (768), sorry, which is the denominator in

10 an allocation method. But up above it's changed the

11 numbers as to how important each of these groups are

12 for allocating these costs.

13 MS. KELLY DERKSEN: Yes.

14 MR. PATRICK BOWMAN: And our concern

15 here was we had asked for some information to

16 understand this, because there are some -- some

17 unusual results and -- and it -- it presumably arises

18 just through the analytical pieces, but we -- other

19 than the percentages, we don't really have those

20 analytical pieces.

21 So, for example, we look at -- let's

22 start at the top, the residential class would say they

23 have four hundred and sixty-two thousand (462,000)

24 customers, the upper left of the screen right now,

25 actual customers. But when it comes to the weighting,

they're weighted as two hundred and thirty-four thousand (234,000) units of the five fifty-one (551).

So that's about a half. And I think we saw the same number in Mr. Todd's Excel sheet he brought up in -- during his cross.

MS. KELLY DERKSEN: Right, I think it's the four hundred and sixty-two thousand (462,000), I think if you multiply that by the 42.5 percent in the middle, perhaps you get close to that number.

MR. PATRICK BOWMAN: Yes, I -- I appreciate that. So the residentials are weighted and -- and Mr. -- Mr. Todd had pulled up an Excel file and it -- I've got it on my screen, but it says, "point five one (.51)." They're -- they're weighted as if each -- each customer gets point five (.5) of a -- of a unit adding up to this five hundred and fifty-one thousand (551,000) allocator.

Is that -- I think you called it half a customer weighting or something at that time.

MS. KELLY DERKSEN: Yeah, I think that's fair.

MR. PATRICK BOWMAN: And then if I scroll -- if -- may -- maybe we can pull up the Excel -- that Excel file. It's the one (1) called Model of

1 PCOSS14 Amended and it's the April 25th version.
2 Yeah, that one (1). There we are. And it's the C
3 tables, the yellow -- a yellow tab on the far -- on
4 the left.
5 And here's your point five one (.51) in
6 the blue numbers down under column D. So residentials
7 are -- are weighted as if they're point five (.5).
8 General service small is weighted as if they're one
9 point nine (1.9). SEP and -- and the weightings, as
10 you go down the page, you see the different customer
11 weightings?
12 MS. KELLY DERKSEN: Yes.
13 MR. PATRICK BOWMAN: Now, without
14 belabouring it, because we don't have a tonne of time,
15 we end up some of the general service large weightings
16 that seemed out of line with -- with common sense, or
17 what we would expect on the surface and we didn't seem
18 to get the data that we needed to make sense of it.
19 So if you're dealing with the -- for
20 example, under weights curtailable, this is the
21 customers who participate in the curtailable service
22 program carved out separate from those who don't.
23 That -- that's right? Column C.
24 MS. KELLY DERKSEN: I see that, yes.
25 MR. PATRICK BOWMAN: So the sheet's

not -- no longer up there, but in terms of customer numbers, that 30 to 100 kV customer number has one (1) customer in that group and the greater than a hundred has two (2) customers in that group.

Does that fit? I -- I can go back to it, but you're okay with that -- tho -- those numbers? If you want we can go back to the -- the Excel -- or the -- the PDF we just had.

So off to the left-hand side if we scroll a bit left, customer numbers we have 30-100 has one (1) customer in a curtailable and thirty-nine (39) that are not -- or meters.

Greater than a hundred has two (2) under curtailiable and --

MS. KELLY DERKSEN: I see that, yeah --

MR. PATRICK BOWMAN: -- are not so -- okay. If we can go back to the -- the -- so in effect, when we go back to this screen what we see is that one (1) customer who's under curtailable is weighted seven thousand seven hundred (7,700) units of -- of customer costs, 1.4 percent of this group?

(BRIEF PAUSE)

1 MS. KELLY DERKSEN: Let's see how far
2 I can take this and then we'll have to figure out if
3 we need to followup. This weighting here, as I
4 understand it, has to do with the curtailable rate
5 program and the amount of effort for that program and
6 -- and the individuals who work on that program.
7 So it's given a much greater weighting
8 compared to, you know, to other classes because it's
9 very specific to that.
10 MR. PATRICK BOWMAN: So these are
11 costs that are in the C10 category. It's not -- it's
12 not the DSM cost of running the curtailable program,
13 which we're going to talk about in a minute, this is
14 some other cost of customer service function dealing
15 with that one (1) meter that leads to them being seven
16 thousand seven hundred (7,700) as opposed to, for
17 example, if you move over one (1) column, the non-
18 curtailable equivalent customer at -- at 583 units
19 worth of effort?
20
21 (BRIEF PAUSE)
22
23 MS. KELLY DERKSEN: I think it's
24 probably quicker if we have the discussion offline and
25 get back to you.

1 MR. PATRICK BOWMAN: We can do that
2 because our -- what we're ultimately going to be
3 asking for, just so the record has it, is that just to
4 confirm that these are -- this was used to allocate
5 costs that are not the DSM portion of the curtailable
6 costs. This is -- this is customer service cost. And
7 this is some built up number through those
8 percentages. It's not that somebody added up seventy-
9 seven hundred (7,700). They added up the percentages
10 we saw earlier, and it just leads you to this number.
11 This is a derivative?
12 MS. KELLY DERKSEN: This is a
13 derivative. It's with respect to people, time, labour
14 related to various programs and services that we are -
15 - that we provide. And this is -- what we've been
16 talking about in the last few minutes is the deriving
17 of the various weights to apply those costs
18 ultimately.
19 MR. PATRICK BOWMAN: And just to
20 finish the point on the materiality factor. You can -
21 - you can take this subject to check, if you like.
22 But as we follow this through, this seven thousand
23 seven hundred (7,700) number, for example, leads to
24 this one (1) customer, this one (1) group being
25 allocated about six hundred thousand dollars

1 ($600,000) in costs through the C10 allocator, 1.14
2 percent of the 40 some odd million that we saw
3 earlier, the 46 million earlier.
4 It was about six hundred thousand
5 dollars ($600,000), which is -- you know, while the
6 other customer is at 583 units equivalent would be
7 more like fifty thousand dollars ($50,000), sixty
8 (60), seventy thousand (70,000), so -- so it's over a
9 half a million dollars more to this customer to
10 whatever services those are provided.
11 So for materiality, if -- just to put
12 that on the record, you can take it subject to check,
13 we'll -- we can talk about it offline, but I just
14 wanted to -- it's not -- it's not trivial even we say
15 industrial customers don't get charged a lot of
16 distribution.
17 MS. KELLY DERKSEN: Fair enough.
18 We'll -- we'll take it offline and follow up.
19 MR. PATRICK BOWMAN: Okay, that's
20 fine. So then going to the curtailable part
21 specifically, the -- if we can go back to the -- back
22 to the PCOSS14 page 19 this time. And the place I'm
23 looking is -- now, we -- this is the next page from
24 where we just were. The previous page did all of
25 those allocations of -- of costs that go through

1 allocators.

2 And I just -- to confirm, these are the

3 costs that are directly allocated to a cla -- class.

4 These are all -- all the directs?

5 MS. KELLY DERKSEN: Directs, yes.

6 MR. PATRICK BOWMAN: And as we go down

7 that, what we're -- what -- where you see in about the

8 middle of the page the largest chunk, it's EO1 costs.

9 It's listed as generation. But then they say, "DSM

10 direct assignment energy," and there's a whole group

11 of costs. And this is your DSM allocation section

12 that tells you what's happening with DSM, right?

13 So this tells you how much of the DSM

14 cost is allocated to residential, how much is

15 allocated to GS small?

16

17 (BRIEF PAUSE)

18

19 MS. KELLY DERKSEN: Yes, that's fair.

20 MR. PATRICK BOWMAN: And so as I go

21 down -- and I just -- I have the Excel file, but just

22 so everyone in the room understands, the -- as I go

23 down the -- the categories, you'll see GSL greater

24 than a hundred kV excluding curtailable. And then

25 you'll see curtailable.

1 And those -- those -- that breakdown --
2 for GSL greater than a hundred. Both of those groups
3 relate to customers in the GSL greater than a hundred
4 calls, but curtailment there is solely the curtailable
5 service portion of that. That curtailable customer
6 also gets a share of the stuff called GSL greater than
7 a hundred excluding curtailable.
8 I just want to confirm that the last
9 two (2) rows are only --
10 MS. KELLY DERKSEN: We -- we merge
11 those -- we merge those two (2) customer types, if you
12 will, into one (1) at some point in the process.
13 MR. PATRICK BOWMAN: Right. Before --
14 after we get to this they're only getting reported as
15 one (1) -- one (1) customer group, one (1) customer
16 class. But those two (2) -- the two (2) last rows
17 there, those are only the costs related to the
18 curtailable program, not the costs related to every
19 DSM program run for customers who participate in the
20 curtailable program?
21
22 (BRIEF PAUSE)
23
24 MS. KELLY DERKSEN: There are two (2)
25 things in there. It's with respect to the curtailable

1 rate program, the amortization of the -- of the
2 credits that are provided to the customers who
3 participate in those programs. And in addition their
4 allocation of any DSM programs that they participate
5 in.
6 MR. PATRICK BOWMAN: I -- I can take
7 you to another place. There's a file -- I didn't
8 intend to do this because I thought -- I thought we'd
9 get a different answer. Because I think -- I think
10 that may be incorrect. We have a file that you had
11 sent out called DSM.xls. It had a list of the
12 programs. And as you carry across there's one (1)
13 part called Curtailable Rates Program. You add up the
14 row across that and you come up with eight-five four-
15 eight point three (8548.3) as the -- the IFF cost of
16 the Curtailable Rates Program.
17 And if I go to this sheet and I add up
18 the six (6) numbers that are positive there I get the
19 exact same eight-five four-eight point three (8548.3).
20 So I -- it seems -- it seems from that sheet that this
21 is only about the curtailable portion. And if we feed
22 through that, some level of those other DSM programs
23 also come to this class. So I -- I just want to --
24 wanted to confirm that, so we can go through the --
25 the next step, but...

1 (BRIEF PAUSE)

2

3 MR. PATRICK BOWMAN: We can -- we can

4 pull up the -- that DSM file.

5

6 (BRIEF PAUSE)

7

8 THE FACILITATOR: Patrick, I'm

9 wondering since this has become so technical with all

10 of the information here that is catching people a

11 little off guard, I wonder could we work through this

12 one (1) on the basis of people accepting for the

13 moment what you're saying, and lead them through where

14 it -- where it leads you to where you're going. And

15 then we leave it that they're going to take that part

16 of the transcript away and work through it themselves,

17 and then come back and talk to you?

18 MR. PATRICK BOWMAN: That -- that

19 works for me. Just so you -- this is -- we're --

20 we're one (1) step away which, Diana, if you go the

21 assigned tab and we scroll down to the bottom. This

22 is the li -- or, sorry, not quite the bottom. A

23 little bit up where we're looking at row -- row 87.

24 There's the Curtailable Rates Program, and as you

25 scroll across you'll see the eight-five four-eight

1 (8548) under Column H, row 87. But that's -- that's
2 where we got the number from. I'll -- I'll leave that
3 to Hydro to -- to deal with that.
4 But it -- unless eight five (85) --
5 with -- with this sheet up, because it's probably a
6 better source anyway, eight-five four-eight (8548) is
7 the cost of the Curtailable Rates Program that is
8 allocated to these customers. As we read through and
9 we have some IRs on this, these customers get
10 allocated the cost of this program, the IFF type
11 number, eight-five four-eight (8548). But then in the
12 same sheet we were just at, the PCOSS sheet, if we
13 could go back to the PDF. They get a credit in the
14 PCOSS of five-seven six-six (5766), which ultimately
15 makes it way into the allocator to all customers. And
16 I think we have that confirmed in an IR. So --
17 MS. KELLY DERKSEN: Yes, we do. Yeah.
18 MR. PATRICK BOWMAN: So there's an IFF
19 cost of the DSM program, the Curtailable Rates
20 Program, somewhere in $8 million. These customers get
21 allocated that $8 million because DSM are
22 automatically allocated against the customer class.
23 But if we didn't do an adjustment they'd end up paying
24 the costs of running the program they're supposed to
25 benefit from. And no one else would see any costs

1 associated with that curtailable program, even though
2 it's supposed to benefit the whole system.
3 So as I understand it, five-seven six-
4 six (5766) is the way of putting back in a benef --
5 the -- the cost to everybody of -- of the curtailable
6 program and how it benefits the system.
7 Is that a fair summary of what five-
8 seven six-six (5766) is doing?
9
10 (BRIEF PAUSE)
11
12 MS. KELLY DERKSEN: The -- this one
13 (1) is a little bit of a -- a head scratcher. It took
14 us some time internally to -- to understand it. So we
15 may have to -- to work offline with you. But it's my
16 understanding that in the test year this is the credit
17 provided to the class with respect to the curt -- the
18 curtailable benefit.
19 MR. PATRICK BOWMAN: This is the --
20 the cash credit they would receive on their bill? Or
21 the -- the offset they would receive on their bill
22 from participating in the program?
23
24 (BRIEF PAUSE)
25

1 MS. KELLY DERKSEN: Yes.

2 MR. PATRICK BOWMAN: So my -- my

3 concern -- and -- and, Mr. Grant, you were asking --

4 there's a program that exists. It's a DSM program.

5 Customers participate, they get a credit on their bill

6 from being curtail -- interruptible.

7 There's a cost associated with that

8 program which is amortized over ten (10) years. As a

9 result, it's got an amortization component and an

10 interest component. It adds up to about $8 1/2

11 million or 8 something million, and I'm welcome to see

12 if -- if Hydro understands this differently.

13 That 8 something million is allocated

14 against those customers because all DSM programs go

15 against the customers. But if we stopped there,

16 they'd be paying for their own program rather than

17 everyone else paying for their program.

18 So this final column is the way of

19 adjusting back -- back out and making sure that the

20 entire system pays for the program.

21 Now, is that fit?

22 MS. KELLY DERKSEN: Yes, that's true.

23 MR. PATRICK BOWMAN: Without getting

24 into the specific numbers. Our -- our concern arises

25 because of the sort of $3 million gap between this IFF

1 type of value of the cost of the program, 8 1/2 or so
2 million dollars that they get allocated, versus only
3 getting a credit back of the -- of the 5.75 -- mid-$5
4 million mark which goes to the rest of the system, and
5 why this wouldn't be that same $8 million value so
6 that they're held harmless from their direct
7 participation even though they'd pay for a share of
8 eight point five (8.5) when it ultimately gets to an
9 allocator.
10 MS. KELLY DERKSEN: I hope I can
11 respond adequately. We -- this is treated as, for
12 accounting purposes, consistent with our DSM program.
13 So we amortize the cost of the credit that we provide
14 to the customers who participate in the programs.
15 In the year, we amortize all of those
16 costs, those benefits that we provide, which are
17 actually a line item on these customers' bills to
18 reduce their bill. In the month, we amortize the --
19 that payment that we provide to those customers over a
20 period of ten (10) years.
21 And so as dollars accumulate and come
22 out of that through the amortization process, you're -
23 - there's going to be a mismatch between what is
24 provided in the year and the benefit. And those will
25 be going in -- you know, in different directions at

1 times, and over time, though, they equal out.

2 MR. PATRICK BOWMAN: Right. So -- but

3 if I'm sitting with a customer who's in a curtailable

4 class and we go through with them what makes up their

5 cost of service, one (1) of the things they're going

6 to see is they get a bigger allocation of that C10 we

7 went through which we said just for the thirty-one

8 hundred (3,100) was about half a million dollars.

9 Plus what they're going to see added up

10 in their costs is something like $8 ½ million of costs

11 related to the curtailable program. And then as we

12 continue going down the page, we could say, Don't

13 worry because you're going to get an offset, but your

14 offset's only about 5.7 million.

15 So their -- they -- they have this --

16 this significant mismatch. And our question is: Why

17 wouldn't the offset be the eight (8) and a half plus,

18 perhaps even the extra customer service piece?

19 They're not participating in the

20 program for -- for benefits on their end so much.

21 They're participating in it for the credit. So this

22 is a way -- this otherwise seems to be clawing back

23 the credit through the cost-of-service study.

24 MS. KELLY DERKSEN: This is not

25 clawing back the credit. It's a timing issue. They

1 get the $8 million. They don't see it. They get it
2 on their bill today, but they don't -- the -- the
3 benefit in -- from an accounting -- from a cost-to-
4 service (sic) perspective isn't seen today. It's seen
5 over time.
6 So -- and -- and that's the disconnect.
7 They see the benefit on their bill today, and through
8 the cost allocation process, they don't necessarily
9 see the full amount of $8 million today, but they will
10 see it over time. So there's not -- there's a timing
11 issue, but those equate, you know, over the -- the
12 length of the amortization period.
13 The -- the other -- the other issue
14 that you raise with respect to the customer service
15 costs that are allocated to these customers, you know,
16 we've agreed that we will take that offline and, you
17 know, see what -- what's going on specifically with
18 that.
19 MR. PATRICK BOWMAN: So the only --
20 the only question then is you said that they receive
21 the $8 million today. But as I understand these
22 numbers, they receive the $5 million type of number
23 today. The $8 million number only arises because it's
24 got interest and -- and carrying costs because Hydro
25 find -- find -- amortizes that amount. Really they're

1 only seeing the five (5).

2 MS. KELLY DERKSEN: What we do is we

3 provide these customers an offset to their bill each

4 and every month. We add up that revenue, that -- that

5 reduction in that revenue that we give them every

6 month, and that be -- we amortize that cost over time.

7 There's likely some carrying costs

8 associated with having held that over time. And so

9 there'll be a little bit lesser than the -- the $5

10 million, if -- if that's the number we agree that is

11 provide -- or forecasted to be provided to these

12 customers in that -- that year.

13 They will get perhaps, you know,

14 slightly -- there's a -- a financing cost with that

15 that will be added to their class that they will

16 ultimately pay.

17 MR. BOB PETERS: So the -- we don't

18 disagree that somewhere in the $5 million range is

19 what they receive in the year. The -- the cost that's

20 allocated to them is -- is higher than that because

21 it's adv -- because it's -- it's advertised?

22 MS. KELLY DERKSEN: It's advertised

23 and there's carrying costs attributed to that also,

24 yes.

25 MR. PATRICK BOWMAN: The only question

1 is, why wouldn't that final column have a number more
2 like 8 million to keep them held whole and then that 8
3 million would become the cost allocated back on -- on
4 --
5 THE FACILITATOR: Patrick, it's
6 getting so technical. As -- as one listens to the
7 arguments in favour of what's going on, both of you
8 make a fair bit of sense. But until you actually see
9 the numbers for each other, it seems to me neither one
10 of you will be convinced of the other's point of view.
11 MS. KELLY DERKSEN: You know,
12 internally we had to digest this too, so this would --
13 this is probably an issue for a white board quite
14 frankly.
15 MR. PATRICK BOWMAN: We -- we continue
16 to go through it. We have an IR that confirms that
17 there's a -- a mismatch. It says that don't worry it
18 should bounce over time. I think it's hard to tell
19 someone, don't worry, you have 3 million in extra
20 costs because you're in the program that you get a $5
21 million credit for.
22 But we can go through that and if it --
23 it goes beyond that I was just to understand if there
24 was another rationale as to why Hydro chose to put 5
25 million in that final column rather than eight (8).

1 And if we -- if there's not another
2 rationale or it's best dealt with by the -- the math
3 offline we'll do that. Now, the -- the other question
4 that -- that arises -- let me just -- is when -- when
5 we scroll up the page, just to confirm -- if you go
6 back one (1) page, five-seven-six-six (5,766) you'll
7 see was the number in that final column.
8 If you go back a page, five-seven-six-
9 six (5,766) shows up again -- if you go up now -- and
10 it becomes part of the cost, the sum total of the 838
11 million -- 839 million that is allocated through E12,
12 right? That's -- that number comes from the -- the
13 curtailable number down below?
14 MS. KELLY DERKSEN: Yes, I see that.
15 MR. PATRICK BOWMAN: And so that --
16 that's a way that customers pay for the -- that
17 everybody picks up their share of this program is
18 through the E12 allocator?
19 MS. KELLY DERKSEN: Yes.
20 MR. PATRICK BOWMAN: Okay. That's
21 fine. Now, moving on from there, this is the last
22 thing I have, although there's a -- a couple of minor
23 ones Mr. Hacault might want to deal with.
24 The -- there were some questions this
25 morning about -- about DSM and how it's treated. And

1 you were suggesting that Hydro is proposing to treat
2 DSM by allocating the program cost directly to the
3 cust -- participating customer.
4 And that that's different than what had
5 been talked about by the Board many years ago where
6 the Board said, No, take that entire DSM bundle of
7 costs and just charge it against exports, which as I
8 understand it, Hydro doesn't want that approach, they
9 want the -- this new approach which is DSM directly to
10 the class?
11 MS. KELLY DERKSEN: Yeah, I'm -- I'm
12 not sure what we got out -- out of that order quite
13 frankly. I'm not sure that I can even agree with your
14 characterization of 116/08. Subsequent to 116/08 we
15 filed -- the company filed a review and vary. That
16 review and vary talked about the treatment of DSM,
17 because it wasn't just -- it was no longer about the
18 cost that was directed by -- by this board to be
19 assigned against exports, but it was -- it became a
20 discussion about what you do with the -- with -- with
21 the energy.
22 And then it became -- and the issue
23 was, Well, if exports get the benefit -- if exports
24 have to pay for the cost then they should receive the
25 benefit of the reduced energy that's made available by

1 the DSM program. The -- so that occurred prior to
2 116/08.
3 And in 116/08 the regulator said, No,
4 take the cost, but add back the DSM savings to the
5 domestic customer classes. And at that point it
6 became, you know, just an issue unresolved. And it
7 certainly was an issue in my mind unresolved from the
8 issuance of the order that followed -- followed the
9 review and vary order -- excuse me, the review and
10 vary application that the company filed. That order
11 was 150/'08. And so, you know, I -- I take issue with
12 the characteri -- that characterization.
13 Most definitely, we have continued
14 subsequent to that to assign the cost of DSM -- the
15 DSM programs to the customer classes that partake in
16 those -- in -- in those programs, so. And that's, you
17 know, Christensen has come in, has confirmed that that
18 is the -- the superior treatment. And we have
19 continued to reflect that methodology in our cost-of-
20 service study today.
21 MR. PATRICK BOWMAN: Okay, I -- I
22 didn't think it was that complicated a question. I
23 may have asked it wrong. I apologize. But just so
24 that it -- it -- we deal it, the method Hydro's doing
25 today is -- is DSM programs other than common

1 administrative are allocated to the classes who
2 participate, which -- that's -- that's correct?
3 MS. KELLY DERKSEN: Yes, that's right.
4 MR. PATRICK BOWMAN: And -- and as
5 best I can recall, I believe I gave evidence to this
6 Board that this -- that said that was probably the --
7 that was the correct approach as well. So it's not --
8 it's not that I'm trying to suggest the -- the old
9 Board way, but there was another way that the Board
10 recommended before, which said, Have exports pay for
11 DSM.
12 You may have had a debate about what
13 you did with the kilowatt hours then. But there's no
14 doubt the Board -- at one point, the Board said, Have
15 exports pay for DSM?
16 MS. KELLY DERKSEN: Yes, that's right.
17 MR. PATRICK BOWMAN: And -- and that's
18 a method that you're not supporting, as I read your
19 slide. You're still saying that's -- that's not the
20 right way to do it?
21 MS. KELLY DERKSEN: That's the
22 Company's position. And it is the perspective of the
23 advice we -- we have received by Christensen, also,
24 yes.
25 MR. PATRICK BOWMAN: Okay. Now, I

1 just wanted to deal with this, because I -- I think
2 there was an implication in some of the questions this
3 morning that, if you go that route, somehow customers
4 like industrials who primarily fund their own DSM as -
5 - as facility improvements are somehow getting off the
6 hook for paying for DSM if you go the route that Hydro
7 is proposing.
8 And I can go through some documents,
9 but it might be even easier just to keep it at a high
10 level. You can confirm that the method Hydro is now
11 proposing results in more net costs going to
12 industrials than the method had I been sitting here
13 saying we should do it the old way the Board did it.
14 Can you -- that -- directionally, can
15 you say that, or do we want to go to the -- we can go
16 the MFR, if you want. It's -- it's a pretty easy
17 number, but...
18 MS. KELLY DERKSEN: I -- I'm not
19 certain about that, because I'm not certain what the
20 Board-approved methodology is anymore. It -- it is --
21 you -- you know, I can -- I can go as far as
22 understanding that there was direction from -- from
23 the Board with respect to cost assignment of DSM to
24 the export class, but beyond that, I don't know,
25 because -- and there are also implications as to how

1 the energy savings are handled or were dealt with.
2 And so I don't know how much more that influence --
3 influenced each class's RCC outcome at the end of the
4 day. So it's very hard for me to say that.
5 MR. PATRICK BOWMAN: Okay. Can we go
6 to MIPUG MFR-5, then?
7 THE FACILITATOR: You're -- you're
8 running out of time, so --
9 MR. PATRICK BOWMAN: This is the last
10 thing we're doing.
11 THE FACILITATOR: -- completely, but
12 it -- it seems to me that wouldn't this be the case,
13 that in your filed evidence, you're going to be saying
14 that, This new method is allocating more cost to -- to
15 the industrial customers, and here's why? And -- and
16 then there'll be the opportunity at the next workshop
17 for -- for Manitoba Hydro to question you about that.
18 MR. PATRICK BOWMAN: Well, that's
19 fine. But I just -- there's a document. I believe
20 it's saying this. I just want to confirm that that's
21 what it's saying. It's the last set of que -- it's
22 the last question, if that's possible. I thought -- I
23 thought it was a -- a common item. But if -- if we
24 can to MIPUG MFR-5, it's the last questions we have --
25 or the last question I have.

1 How much more time is left?

2

3 (BRIEF PAUSE)

4

5 THE FACILITATOR: But I was aiming for

6 2:30, but maybe we could go to 2:35 to...

7 MR. PATRICK BOWMAN: So if we can go

8 to MFR-5. This is the third page. And we had asked

9 for a comparison of the 2014 cost of service done in

10 the first column according to what was actually filed,

11 or how much under or over each class was paying, and

12 the last column here, what was -- what would happen if

13 you ran it according to the last Board-ordered

14 methodology, 116/'08, and what were the changes in-

15 between, and why those numbers changed.

16 And if I go to this -- this one, and I

17 -- I read down it, the current one says that

18 industrials, for example, greater than a hundred are -

19 - are underpaying by 2.7 million, two point seven-six-

20 six (2.766). And if you used the old method, it would

21 say they're overpaying by one seven seven nine four

22 (17,794), right?

23 MS. KELLY DERKSEN: Again, 116/'08

24 directed both the cost to be allocated against the

25 export class as well as to take the energy savings

1 that were allocated to the export class out of the
2 export class, and assigned to those customer classes
3 that participate in the program.
4 The -- the challenge with that is,
5 then, you're left with an -- an unbalanced energy in -
6 - in your cost allocation study, because inherent in
7 the DS -- in your load forecast is that those DSM
8 savings with -- with the exception of the -- the
9 forecast year. So you're left with a system that is -
10 - that is unbalanced in terms of energy. And I
11 suspect that that had a greater influence to the
12 customers that you represent than the actual cost
13 assignment to the export class.
14 And that's why I'm saying I'm not
15 certain that that's the case. I'm not certain that
16 the outcome of our -- our direct assignment
17 methodology today with respect to DSM is actually more
18 hurtful to you, which I think is what your point is,
19 than what is -- has been directed out of 116/'08. So
20 that's the distinction I was trying to draw.
21 MR. PATRICK BOWMAN: But all -- all I
22 was trying to do was use the table to say in this
23 progression which Hydro produced, if I understand it,
24 116/'08, the final column, is -- is Hydro's numbers
25 for what would happen if you put the -- the full

116/'08 methods against 2014 numbers.

MS. KELLY DERKSEN: That's -- that's a fair statement, but --

MR. PATRICK BOWMAN: I'm not advocating it.

MS. KELLY DERKSEN: -- but there were --

MR. PATRICK BOWMAN: I'm just saying those are the numbers that arise.

MS. KELLY DERKSEN: The -- what occurred out of 116/'08 is just mathematically wrong. And so to -- we have reflected that in here, but we can't move forward with that, because you have more energy in your cost-of-service study than you actually have forecasted on your system. So it's -- it's just plain wrong. And even though that's what this says, if we were to go down the path and assign DSM costs to exports, if that was the -- the direction of the day, that would pres -- produce a different result than what we're telling you all here because we had -- because of this wonky treatment of this energy issue.

(BRIEF PAUSE)

MR. PATRICK BOWMAN: Yeah. I don't --

1 I don't have anything else. I think the -- the
2 numbers that were there were just to emphasize that
3 the 116/'08 led to different results. And the biggest
4 factor shown by Hydro's was the DSM to export change,
5 regardless to whether it's fixing an error or doing
6 whatever. If we're only about saying this new
7 treatment helps industrials, the new treatment doesn't
8 help industrials compared to 116/'08. The new
9 treatment, in fact, hurts industrials under this
10 method. But it still could be justified and -- and in
11 the evidence we've submitted, was justified because of
12 a bunch of other mechanics of it.
13 MS. KELLY DERKSEN: You could make the
14 argument to allocate DSM costs to export --
15 THE FACILITATOR: No, cease and
16 desist.
17 MS. KELLY DERKSEN: I -- I'm just
18 saying that how you implement it would have to be
19 different than what was dealt with in 116/'08. And
20 that's all my point was.
21 MR. ANTOINE HACAULT: I'm mindful of
22 your direction on the time, Mr. Grant. And I -- maybe
23 what I'll do as a suggestion. I had a listing of
24 questions and information where I wanted to get more
25 detailed examples of service extension policy

1 agreements and facts. So we actually had some real
2 scenarios and facts to look at to be able to deal with
3 the whole issue, not getting into legal arguments.
4 So perhaps what I can do is, I can
5 suggest that I would stand down and we would do that
6 by way of a second round of inter -- interrogatories
7 or written interrogatories, and see whether we have
8 enough time at the end of the day. I don't know what
9 your wish is.
10 MS. ODETTE FERNANDES: Mr. Grant, the
11 purpose of this workshop was for the experts to have a
12 discussion surrounding the issues of cost-of-service
13 study. There was no provision in the Order for a
14 second round of IRs. Now, Manitoba Hydro has two (2)
15 weeks to provide its responses to Intervenors, so that
16 they will be in a position to file their written
17 evidence so that we don't get accused of delaying the
18 process. Now, second round IRs aren't contemplated,
19 and we will not be in a position to file responses to
20 second round IRs.
21 THE FACILITATOR: Nicely said, but I
22 was doing on some work a year or so ago in Russia, and
23 the lady who was in charge of the rate design group
24 there was -- she would only respond with "da" or "not"
25 and -- and "nyet". And she was saying, "nyet", to me

1 in much the same tone you were giving me there, and I
2 had to tell her that that was the same tone that my
3 mother would tell me when I was really bad.
4 But -- but I think out of this, given
5 that aspect, I think you'd better ask the questions,
6 hopefully quickly now, and get them on the record.
7 MR. ANTOINE HACAULT: Thank you very
8 much, Mr. Grant.
9 My understanding when there's a service
10 interconnection that's requested, firstly, there's a
11 planning report, correct?
12 MR. GREG BARNLUND: Good afternoon, M.
13 Hacault. And, Mr. Grant, I just wanted to say that
14 I'm more than happy to discuss service extension
15 policy which I believe was in the scope in terms of
16 this hearing.
17 The matters of how we go about -- or
18 the stages and steps we go about in terms of dealing
19 with a large industrial customer that wishes to attach
20 to the system, you'll have to give us direction on
21 that because I -- I don't know how that impacts the
22 cost of service study itself.
23 Cost of -- the service extension policy
24 determines the cost share between a new customer
25 attaching to the system, how much of that's to be

1 borne by system customers, and how much is that going
2 to be funded by the -- the individual customer
3 attaching.
4 And my understanding of the Board's
5 direction here is that those matters are within the
6 scope of this discussion. And we're more than happy
7 to speak to those things. So I -- I leave it to you.
8 THE FACILITATOR: Well, frankly, I
9 don't know the answer to that either, so I think I
10 would have to ask for Bob to comment on that on behalf
11 of the Board, if that's the case.
12
13 (BRIEF PAUSE)
14
15 THE FACILITATOR: Yes, I understand it
16 was included, but I take this point to be one of to
17 what extent is it included. Is it included for the
18 purposes only of assisting in determining the cost-of-
19 service study, or is it included as a general topic
20 inclusive of that plus any other issue?
21
22 (BRIEF PAUSE)
23
24 THE FACILITATOR: Does the Board know
25 the answer to that?

1 MR. BYRON WILLIAMS: Mr. Hacault may
2 have some submissions on why it will assist within the
3 scope, and we may have some as well.
4 MR. ANTOINE HACAULT: I'm not -- I'm
5 looking for a factual scenario which then can assist
6 the Board in understanding our view of how it fits
7 into a cost of service study. I'm not -- I don't want
8 to argue any of the facts yet. I just want to have
9 the information so I can then make my submission and
10 analysis.
11 And that's why I was going to start to
12 ask some very basic questions on getting some
13 additional information because we asked in the First
14 Round a very general question to ask, Well, what are
15 they? And we didn't receive enough detail for us to
16 be able to then explain why we think it's a rate
17 matter.
18 And so the purpose of my questions
19 which I have not yet asked is to get the factual basis
20 so we can have that debate on why it's a rate-related
21 matter.
22 THE FACILITATOR: How about this, at
23 least just for the moment, that if we pass on that for
24 the moment so that at least people can discuss it
25 together over the break when we have the -- the break,

1 which I guess might be now anyways, and then maybe we
2 return to it after that and see if we -- see if we
3 then know where we're going.
4 And how about if we take then the
5 fifteen (15) minute break now, and at the same time
6 Bill Harper can get set up so that he'll be ready to
7 go when that follow. Thank you.
8
9 --- Upon recessing at 2:23 p.m.
10 --- Upon resuming at 2:54 p.m.
11
12 THE FACILITATOR: All right, everyone,
13 we'll carry on. Greg, I think I have a better
14 understanding of the -- the rules of the game at the
15 moment.
16 For Antoine, and we'd hoped that you'd
17 be quite quick, hopefully only ten (10) minutes or so,
18 that questions that you may have to clarify the IRs
19 you've made with respect to service extensions would
20 be reasonable.
21 The -- the Board jurisdiction issue we
22 want to stay away from completely. And so that to my
23 mind would include any discussion of the merits of the
24 existing extension policy would therefore be out, but
25 -- but the components of what the cost is under the

1 existing extension policy is fair ball. Over to you.
2 MR. ANTOINE HACAULT: Thank you very
3 much, Mr. Grant. So this was PUB/MH-1-33 system --
4 systemic extension and our particular IR was Round 1,
5 13A-C. So one (1) of the things we were trying to get
6 more details on and I was starting to go through the
7 process, is the first item that would have some cost
8 attributed to it would be a planning report, correct?
9 MR. GREG BARNLUND: Correct. So let's
10 just, I guess, talk in general terms to begin with
11 about this type of customer extension.
12 MR. ANTOINE HACAULT: I -- I won't be
13 able to get through my questions, unfortunately.
14 MR. GREG BARNLUND: I think it's
15 important for the context of what we're talking about
16 here, Mr. Hacault. I won't take too long. I just
17 want to set this up a little bit.
18 THE FACILITATOR: You get ten (10)
19 minutes after Greg finishes.
20 MR. GREG BARNLUND: There you go.
21 There you go. We'll make it work, so. The nature of
22 these service extensions is somewhat unique in that
23 for very large industrial customers these extensions -
24 - or I should say these load additions that are being
25 attached to the system can occur anywhere in the

1 province.

2 And -- and with industrial load we've

3 got some of it maybe notionally, you know, related to

4 pipeline load and pipelines travel across barren

5 country in -- in Manitoba. They could be resource

6 loads like lines and so on and so forth.

7 So we're talking about load -- very,

8 very large loads that are being incorporated into

9 areas that have very -- relatively little native other

10 load that's being served in that territory. So under

11 that context -- and they are attaching it,

12 subtransmission or a transmission system voltages. So

13 they'll be attaching to the 66 kV system or maybe the

14 230 kV system.

15 And that requires that we do a series

16 of studies in terms of being able to understand how

17 that load will interact with our system and how we can

18 manage that load and what facilities are needed to be

19 able to do that. So M. Hacault, with response to

20 that, I think that you were saying that there's a

21 initial study that's -- that's required and -- and we

22 -- we go through the process of doing an evaluation of

23 that initial load as the first study, yes, correct.

24 MR. ANTOINE HACAULT: Okay. And just

25 for clarification, these would not necessarily only be

1 in rural areas. For example, there's a big industrial
2 company -- company in Brandon that would also fit in
3 this category, correct?
4 MR. GREG BARNLUND: There's customers
5 throughout the system, but like I say, a lot of this
6 load is in -- is in kind of the rural areas as well
7 too, so.
8 MR. ANTOINE HACAULT: And it wouldn't
9 only be new loads, but it would be increases in
10 existing loads, correct?
11 MR. GREG BARNLUND: That's correct,
12 yes.
13 MR. ANTOINE HACAULT: Okay. So with
14 respect to the planning report, that's one (1) of the
15 first costs, is that included in the cost of service
16 study costs?
17 MR. GREG BARNLUND: We do a cost
18 recovery with that entity that's making the request
19 for the load increase. So in other words, when they
20 approach us we will give them a budget in terms of our
21 expected engineering costs required to do the
22 interconnection study and those customers are
23 reimbursing us for those costs as we incur them.
24 MS. KELLY DERKSEN: And -- and, yes,
25 that revenue generated would flow through the cost of

service study then.

MR. ANTOINE HACAULT: Both the expense and the income?

MS. KELLY DERKSEN: The expense -- the -- the expense in this case is likely labour cost, yes, employees, and also then the revenue.

MR. ANTOINE HACAULT: Okay. And am I correct that sometimes the planning reports that are done for areas of service might be done independently of a customer request for an extension service, but would consider overall requirements of that customer?

MR. GREG BARNLUND: I am -- I'm not in a position to be able to speak to that.

(BRIEF PAUSE)

MR. GREG BARNLUND: When we're doing our -- our general system planning studies we will take into account known conditions in terms of loads and those -- for those large customers who may be situated in a particular area. If we have knowledge of -- of projects that are scheduled to be undertaken by that customer for a load increase, that may also be taken into consideration at that point in time.

But the -- the studies I'm speaking of

are required because independently of that, these studies must be undertaken to ensure that we've got the system designed adequately and that there are operating schedules in place with those customers so that we have the proper control of motor load starts so they're not destabilizing the system.

MR. ANTOINE HACAULT: But I'm trying to focus on the costs --

MR. GREG BARNLUND: That's fine.

MR. ANTOINE HACAULT: -- and what's -- what's included already. So there would be general planning reports, as I understand that previous answer, that would take into account the customer's needs, these big industrial customer needs, and that would be included as a cost that's allocated in the cus -- cost of service study, correct?

MS. KELLY DERKSEN: I'm not certain what cost right now. If you're talking about labour, then labour would be, you know, salary time of the various individuals who would work on that. So naturally that would be in a cost of service study.

If there's -- from an incremental perspective, whi -- which is the heart of what we're talking about, the fact that there's a disconnect between the marginal cost of service customer and

1 embedded cost of service, if you're asking about
2 incremental costs, you'll have to be specific as to
3 what you're speaking of.
4 Contributions eventually taken from
5 customers to upgrade the system are indeed recovered
6 and reflected in a cost of service study.
7 MR. ANTOINE HACAULT: I'll take
8 another chunk of costs that's related in
9 interconnection. And that would be the actual
10 connection costs or transformer upgrades. So I'll put
11 one (1) scenario forward. If, in a particular service
12 area, your transformer could handle another twenty
13 (20) years of residential or agricultural growth and
14 there's an upgrade of a transformer that's determined
15 to be required by Manitoba Hydro to be able to
16 continue to have that twenty (20) year window, that's
17 a cost also that's included in your cost of service
18 study with respect to the cost of that upgrade of the
19 transformer, correct?
20 MS. KELLY DERKSEN: So here we're
21 talking about the fact that a customer is interested
22 in attaching. You're speaking to -- about a specific
23 piece of equipment. That piece of equipment needs to
24 be upgraded in order to deal with -- with this new
25 load.

1 So what would occur is a contribution
2 that recognizes the incremental cost of that facility
3 -- let -- let me step back. The contribution taken
4 from the customer would be incorporated into the cost
5 of service study. If we're talking about transmission
6 equipment, the transmission -- the investments that's
7 on -- on our books, that new investment, that
8 incremental investment that you're speaking of, the
9 cost that the customer pays, the contribution, in
10 other words, is an offset to that transmission asset.
11 So if it cost us ten dollars ($10) for
12 that piece of equipment and the customer full funds
13 that ten (10) -- that cost, the ten dollars ($10), on
14 our -- from a cost of service perspective there would
15 be zero net investment with respect to that -- that
16 incremental cost to serve, so -- so no additional
17 transmission investment would be sitting on Manitoba
18 Hydro's books and -- and through cost of service
19 because the asset's fully funded by the -- by the
20 customer.
21 MR. ANTOINE HACAULT: Let me ask two
22 (2) questions to understand that a bit better. It's
23 Manitoba Hydro transformer even though the client has
24 paid for it, correct?
25 MS. KELLY DERKSEN: Yeah, I -- I'm not

1 sure that I could accept that. There was a piece of
2 equipment sitting there that in absence of the -- the
3 customer requiring additional load would continue to
4 be there. The -- the question is it now needs to be
5 upsized, if you will.
6 So Manitoba Hydro still owns that
7 investment. And the customer is -- is, from a
8 feasibility perspective, paying for the -- for the
9 incremental cost of that piece of equipment. Because,
10 of course, the incremental cost or marginal cost for
11 the utility is often, you know, completely unrelated
12 to embedded cost to serve.
13 MR. ANTOINE HACAULT: The -- the point
14 of asking the question on whether it's a Manitoba
15 Hydro asset, I've seen in all these documents that
16 depreciation costs and financing costs with respect to
17 assets are funnelled through the cost of service. So
18 if there's an $18 million investment by a client to
19 pay for a transformer Manitoba Hydro, as I understand
20 through the cost of service, will be charging
21 depreciation on that $18 million asset as part of --
22 of the overall costs and calculations of its
23 depreciation in the IFF.
24 MS. KELLY DERKSEN: No, what happens
25 is -- there's a couple -- there's a couple of

1 hypothetical examples that I could give. If there is
2 an investment that is -- is made by a customer that's
3 a hundred percent funded, so it costs $18 million to
4 put that equip -- piece of equipment in, but the
5 customer a hundred percent funds it, that sits on our
6 account at zero net investment. There is no
7 depreciation expense associated with it because it's
8 sitting on -- on our books as a zero net investment.
9 Now, more often than not what is the
10 case is the -- it costs 18 million -- Manitoba
11 eighteen (18) -- Manitoba Hydro $18 million to put
12 that investment in -- in place, and the customer might
13 pay, let's say, $10 million. So there is a $8 million
14 investment then that sits on the books that is
15 depreciated over time.
16 MR. ANTOINE HACAULT: Thank you for
17 that clarification. Now, as part of all this -- these
18 financial arrangements, my understanding is there
19 would be a supply agreement, correct?
20 MR. GREG BARNLUND: That's correct,
21 yeah. Our supply agreement would be signed.
22 MR. ANTOINE HACAULT: Okay. I'm
23 asking for a redacted copy of a supply agreement, but
24 I understand there's already been one (1) produced in
25 previous hearings. But for this hearing I'm asking

1 for a redacted copy of a supply agreement.

2 MR. GREG BARNLUND: M. Hacault, it's

3 probably on the record already in this process. We

4 filed those generic power supply agreements in the

5 past in General Rate Applications. And we have -- I

6 think we've incorporated all of those IRs on the

7 record in one (1) of the PUB MFRs. So subject to

8 check, it's probably already on the record.

9 MR. ANTOINE HACAULT: Okay. My

10 understanding is a -- a second document that would be

11 required is a construction agreement document.

12 Can we have a redacted copy of that? I

13 don't think I've seen that on the record.

14 MR. GREG BARNLUND: So let me just

15 discuss those for a moment. We have other -- like,

16 the power supply agreement is the contract that we

17 sign for providing power to that customer, and those

18 have been provided in the past. When we get into a

19 project like this with a large customer, it's a large

20 construction project is what it is. There's large

21 lead times associated with the work we have to do.

22 There's large lead times associated with -- with

23 acquiring the -- the transformers and the equipment

24 that are needed.

25 And so what we will do is enter into

1 commercial arrangements with that customer. So these
2 are very large industrial customers that are very
3 sophisticated, and they do construction like this all
4 the time. And so we'll enter into a series of
5 agreements potentially with them, which are very
6 specific to the construction work that's being
7 undertaken.
8 There may be a procurement agreement,
9 which occurs which we have to go to a transformer
10 manufacturer and have a custom transformer
11 manufactured and that takes twelve (12) to eighteen
12 (18) months. And we have to have that paid for in --
13 in stages.
14 And we'll come to financial
15 arrangements with that -- with our customer to be able
16 to flow those costs through to the customer as they're
17 being incurred by Manitoba Hydro. That's been
18 accepted between ourselves and our customers as an
19 ongoing practice here since these major proje --
20 projects have been coming online in the last ten (10)
21 to fifteen (15) years.
22 So we have -- those -- those
23 procurement and construction agreements that are very
24 specific to the customer situation, the customer load,
25 the cust -- all the -- the materials that are being

1 acquired, all of the labour that's being included, I -
2 - I would suggest that -- that if they were to be
3 redacted, they would likely be very heavily redacted
4 at best.
5 It's all commercially sensitive
6 information between ourselves and an individual-
7 specific customer.
8 MR. ANTOINE HACAULT: So I -- I've
9 made my request. If -- I need to move on. Thank you
10 very much.
11 Are they any -- are there any of the
12 direct or indirect costs that the customer pays
13 through this construction agreement which are included
14 in the cost of service analysis and study?
15 MS. KELLY DERKSEN: Mr. Hacault, all
16 costs and all revenue flow through the cost allocation
17 study. If the costs exactly equal the revenue, then
18 it will flow in at whatever the -- the revenue is, it
19 will flow out at whatever the cost is.
20 The net impact will be -- will be zero
21 of that, but it's highly dependent of course on what
22 specific costs we're talking about. But the only
23 caveat is that if that particular cost is not in -- or
24 revenue is not forecast in the test year, it won't be
25 explicitly included.

1 But I suppose inherent in your fin --
2 financial statements would -- would include that, the
3 -- the consequence or the -- or the net impact -- the
4 net income impact of that at some point.
5 MR. ANTOINE HACAULT: Thank you. Now,
6 with respect to indirect costs and direct costs, what
7 formula does Hydro use? We've seen various
8 allocations throughout this proceeding on indirect
9 costs. With respect to the service extensions, what -
10 - is there any, we'll say from your perspective,
11 double accounting with respect to indirect costs? We
12 already pay for some of those.
13 MS. KELLY DERKSEN: What we're talking
14 about, though, here is incremental cost. And there's
15 a distinction to be drawn between incremental cost and
16 embedded cost. And -- and that's the issue here, so
17 we have to be mindful of -- of that.
18 What this is ultimately about is, you
19 know, whether the incremental cost to serve that
20 customer is greater than the incremental revenue
21 anticipated to be recovered from that customer.
22 And if there -- that is the case, then
23 either the customer needs to make a contribution to --
24 to make that project feasible, or, alternatively, that
25 -- that difference will be recovered in the cost of

1 service through all customer rates eventually.
2 I've received the hook, so I'll just
3 ask a couple of questions and take them as questions
4 on the record without asking for answers, if that's
5 acceptable, so at least I get my questions on the
6 record.
7 THE FACILITATOR: So these are meant
8 as undertakings you mean?
9 MR. ANTOINE HACAULT: Well, they would
10 be meant as undertakings to the -- we -- we'd said
11 that if we didn't have enough time, we at least put
12 our questions on the record. If they choose to answer
13 them or not, I guess that's -- but I don't want to
14 leave without at least having put the questions on the
15 record, Mr. Grant.
16 THE FACILITATOR: All right. Quickly.
17 MR. ANTOINE HACAULT: Yeah. I'm also
18 asking for a copy of the operating agreement redacted.
19
20 --- UNDERTAKING NO. 18: Manitoba Hydro to provide
21 a redacted copy of the
22 operating agreement
23
24 MR. ANTOINE HACAULT: I'm asking for
25 how the direct and indirect costs are calculated and

1 the incremental costs are calculated. What
2 methodology does Manitoba Hydro use to be able to
3 calculate those costs, and if those incremental costs
4 are included in the cost of service study, and if so,
5 how they're included in the cost of service study.
6
7 --- UNDERTAKING NO. 19: Manitoba Hydro to indicate
8 how the direct and
9 indirect costs are
10 calculated and the
11 incremental costs are
12 calculated; what
13 methodology does Manitoba
14 Hydro use to be able to
15 calculate those costs; if
16 those incremental costs
17 are included in the cost
18 of service study, and if
19 so, how they're included
20 in the cost of service
21 study
22
23 MR. ANTOINE HACAULT: And finally, I'm
24 asking for a system planning report, SPD 2012/03.
25 It's a Souris transformer capacity enhancement study.

1 My understanding is that was a general study not
2 related to a customer specifically.
3
4 --- UNDERTAKING NO. 20: Manitoba Hydro to provide
5 system planning report,
6 SPD 2012/03, a Souris
7 transformer capacity
8 enhancement study
9
10 MR. ANTOINE HACAULT: Thank you.
11 Those are my questions.
12 THE FACILITATOR: Well, let's move on
13 quickly before someone has some further questions.
14 Bill, how about over to you?
15 MR. GREG BARNLUND: Yeah, just a
16 second, Bill, I can probably provide some answers to
17 those questions. There's no need for us to
18 necessarily take those away.
19 THE FACILITATOR: Well, all right,
20 except no chance for Antoine to come back. Thanks for
21 that, it's a quick --
22 MR. GREG BARNLUND: Yeah, well, I -- I
23 -- he -- he was asking about how we derive the -- the
24 billable charge or the bill -- billable cost in terms
25 of these service extensions. And this Board will be

1 familiar with that. We've -- we've presented that
2 information in front of them on the natural gas side
3 of the business when we come up with our schedule of
4 billable charges.
5 With the changes in accounting policy,
6 changing and treat -- treatment of overheads over the
7 years, for third-party billings, we have to
8 reintroduce some of those -- some -- some charges into
9 that to be able to properly reflect how those monies
10 would flow for a third-party -- for third-party work
11 that we would be doing.
12 And so we do the exact same thing on
13 the electric side of the business in terms of how
14 we're deriving our labour costs, or our hourly costs
15 in terms of doing that. So it's -- it's no mystery
16 behind it, and we filed information on the gas side of
17 the business in the past on that.
18 So -- so that's the approach that we
19 do, that we use in terms of being able to arrive at
20 the -- at the labour costs that we would be recovering
21 on a cost recovery basis from those customers.
22 And so there's a request about the -- I
23 think a load interconnection study. Antoine, which --
24 which other request did you make here?
25

1 (BRIEF PAUSE)

2

3 MR. ANTOINE HACAULT: I'm quite con --

4 MR. GREG BARNLUND: I'm all yours.

5 MR. ANTOINE HACAULT: -- I'm quite

6 content. It's a Friday. Everybody's going to want to

7 leave, that you just look at the questions on the

8 record, Mr. Barnlund, and provide answers in due

9 course at all, if -- if they're not that complicated.

10 I don't want to take away from Mr. Harper's time, and

11 I've far exceeded the generosity of this Board and of

12 Mr. Grant.

13 THE FACILITATOR: I appreciate that.

14 Bill --

15 MS. ODETTE FERNANDES: Sorry. Mr.

16 Hacault, maybe what we can do is we'll take those

17 under advisement and then if we can provide a

18 response, we will, if that works.

19 THE FACILITATOR: Yeah. Bill...?

20

21 QUESTIONS BY CONSUMER COALITION:

22 MR. BILL HARPER: Thank you. Could --

23 could we start off with the turn -- we -- we turn up

24 your response to Coalition 49A -- Manitoba Hydro's

25 response to Coalition 49A.

1 (BRIEF PAUSE)

2

3 MR. BILL HARPER: Just -- just go --
4 go to -- go to -- just go to the second page. Yeah, I
5 think it's a two (2) page, you can go to the top of
6 the -- top of the second page, you'll have the
7 response. That would be great.
8 Now, this question was asking about the
9 subfunctionalization of distribution costs. And the -
10 - the response here, I think you indicated that for
11 the calling -- settlement cost centres, the costs were
12 subfunctionalized all to the distribution substation
13 function.
14 That's the first sentence in the
15 response at the top -- top of the page. And I was
16 just curious whether that was just -- just -- whether
17 that was just a matter of simplicity, We'll put it all
18 there, or whether there -- there was a rationale in
19 terms of the nature of the costs meant that they
20 logically belonged there?

21

22 (BRIEF PAUSE)

23

24 MS. KELLY DERKSEN: It's for
25 simplicity purposes, Bill, yes.

1 MR. BILL HARPER: Good enough. Thank
2 you. And going down to the second sentence, the
3 second sentence says that a share of the communication
4 plant was -- the communication plant that -- that was
5 functionalized for distribution was also included in
6 the substations.
7 Now, I just wanted to clarify, because
8 when I -- we -- we read -- see the word 'plant', I
9 often think of the asset value, the asset value. But
10 the question was asking about operating costs. And I
11 assume what you meant was the share of the
12 communications plant operating in depreciation costs
13 was functionalized, you know, that -- that portion was
14 -- was assigned to sub -- substations.
15 Would I be correct in that?
16 MS. KELLY DERKSEN: We do both. We
17 prepare a -- a rate base, and we prepare a cost
18 allocation study that deals with the investment side,
19 and we use that information to drive the allocation of
20 the revenue requirement, so -- so, yes.
21 MR. BILL HARPER: Okay. So that -- so
22 that in a sense, the depreciation operating costs
23 associated with the communication plant were subfunct
24 -- were -- were subfunctionalized in substations,
25 then, depreciation operating costs?

1 MS. KELLY DERKSEN: Yes.
2 MR. BILL HARPER: Okay. So -- because
3 if -- if I go to your PCOSS study itself and you --
4 you can see it in the interest summary tab, actually
5 the asset values for communication plant are
6 subfunctionalized to distribution lines.
7 And -- and I -- I was wondering, you
8 know, whether -- why there was a difference between
9 where you put the operating cost and depreciation,
10 which meant the substations, and where you put the
11 asset value, which attracts interest costs, which
12 you're putting in lines, and whether, you know, if --
13 if you had your druthers in terms of, Let's put all in
14 one (1) versus the other, because one (1) makes more
15 sense than the other, where you would put the total?
16 MS. KELLY DERKSEN: You know, I -- I
17 can't speak to this on the fly. We'd have to look.
18 But it would stand -- it -- it would seem reasonable
19 that if it's related to a particular piece of
20 equipment, that you would have both the investment and
21 the revenue requirement dealt with on -- on a
22 consistent basis.
23 MR. BILL HARPER: Okay, but you don't
24 have any particular view now as to whether it should
25 all go -- which of those two (2) pots it should go

1 into?

2 MS. KELLY DERKSEN: I can't say that

3 at -- at this point, Bill.

4 MR. BILL HARPER: No, fine. I -- I

5 was just trying to maybe clarify, because there seemed

6 to be an inconsistency there. That -- that's fine.

7 If you could maybe, then, turn up the response to

8 Coalition number 73C.

9

10 (BRIEF PAUSE)

11

12 MR. BILL HARPER: Actually -- and if

13 you stop right about there. And I just wanted to

14 clarify. You're talking here about streetlights, our

15 favourite topic again. And you're talking about sort

16 of the cost when your overhead distribution

17 underground.

18 And I noticed in a number of the

19 bullets there, there's a reference to the dedicated

20 secondary wire being sort of -- to a dedicated

21 secondary wire. Tha -- that's in both the first

22 bullet and the two (2) bullets under underground

23 distribution.

24 Would I be correct that in each of

25 those cases, the decided secondary wire is in -- is

1 part of what you've sort of deemed to be a -- deemed
2 to be dir -- directly assigned to the street lighting
3 class?
4 MS. KELLY DERKSEN: Yes, that's right.
5 We have assumed that it's related to that piece of
6 equipment. It's been directly assigned. And so we've
7 made an adjustment such that they are not allocated
8 further secondary costs, because it's already assumed
9 to be attached to -- to that piece of equipment.
10 MR. BILL HARPER: That's where I was
11 going. I just wanted to make sure that -- that that
12 was the rationale why, so -- you answer. If we could
13 maybe scroll down this response a -- a bit further.
14 There's a -- keep on go -- keep -- keep on going. I
15 think there's a -- next -- next page, please.
16 Okay. I notice here when you're
17 calculating the adjustment factor here for your street
18 lighting and trying to account for the fact that it --
19 it doesn't use secondary lines, but it does use
20 primary lines, you take into account -- you try to
21 take into account the fact that you view there being a
22 diff -- different customer demand -- customer demand
23 split for primary lines versus secondary lines.
24 You know, on -- that's what this sort
25 of rather complex -- complex formula is doing here, is

1 accounting for not only the fact that they don't use
2 any secondary, but that the customer demand split for
3 primary is different than the customer demand split
4 for secondary.
5 Am I correct there?
6
7 (BRIEF PAUSE)
8
9 MS. KELLY DERKSEN: What this
10 mathematical formula is attempting to do is -- is to
11 back out the -- the portion of secondary that should
12 not be assigned to -- to those -- to that customer on
13 account on of the fact that we deal with it fro --
14 from -- that -- that they don't make use of that
15 portion of the system, or that they've accounted for
16 it already in that it's attached to the -- the direct
17 asset, so.
18 And -- and, yes, this -- this formula
19 assumes a different portion of customer versus -- for
20 primary versus secondary.
21 MR. BILL HARPER: And -- and the
22 reason I was asking was because I noticed, and I think
23 that we've had some conversation in here earlier today
24 about the 70:30 split of primary/secondary and the
25 fact that you were making an adjustment for the GSM

1 customer, so the fact that they didn't use secondary,
2 and they just used the primary lines, and you were
3 applying that 7 percent factor.
4 But I noticed in making the adjustment
5 for the GSM class, you did not go -- go to the second
6 step, and that is trying to account for the fact and
7 recognize the fact that the primary has a different
8 customer demand split than the secondary, like you
9 have with the area and road -- roadway lighting?
10 MS. KELLY DERKSEN: I just want to
11 clarify we have not made an adjustment to the GSM
12 class. We made an adjustment to the zero to thirty
13 (30) GSL class.
14 MR. BILL HARPER: I -- I -- and I'm
15 sorry, yes, but -- but -- I'm sorry, I got my classes
16 mixed up there. It's getting late in the day, I
17 guess.
18 MS. KELLY DERKSEN: Yeah, I -- I hear
19 you.
20 MR. BILL HARPER: You know, but -- but
21 for that class in making the adjustment, you didn't
22 account for this second issue, which was the fact that
23 the primary would -- the primary, in the view of this
24 calculation, has a different customer demand split
25 than secondary or than what you applied on average at

1 the 60:40 for lines overall.

2 MS. KELLY DERKSEN: Right.

3 MR. BILL HARPER: Okay.

4 MS. KELLY DERKSEN: Because this is

5 advice that was provided specific to the area and

6 roadway lighting class flowing out of the Ernst &

7 Young report back in -- in the 1990s, very specific to

8 area and roadway lighting.

9 MR. BILL HARPER: But -- but it

10 doesn't -- it seems to me could one not take that --

11 those same principles that you apply here and apply

12 them to the general service large zero to thirty (30)

13 class to do a similar adjustment to their all --

14 allocation? Because the -- the issue is exactly the

15 same for them as it is for these customers here in

16 terms of they're just using primary, but the view has

17 just got a different customer demand split.

18 So in principle, would -- should it not

19 be possible to go through and do a -- do that and

20 apply that second stage of the adjustment to -- to

21 that particular class as well?

22 MS. KELLY DERKSEN: It's possible.

23 But, you know, we'd have to assess, you know, the --

24 the make-up of that particular class and whether that

25 is appropriate -- these -- this formula is appropriate

1 to anybody other than specifically the area and the
2 roadway lighting. But, you -- you know, we couldn't
3 make that determination and see if it would be
4 relevantly applied to the zero -- zero to thirty (30)
5 class.
6 MR. BILL HARPER: Well, it seems to me
7 we have exactly the same issue. Primary, secondary
8 customer demand that I -- and I was going to ask,
9 since you'd worked on this formula, whether it would
10 be possible for you to come up with what would be the
11 comparable adjustment you would make to -- to the zero
12 -- zero to thirty (30).
13 MS. KELLY DERKSEN: You know, I
14 haven't -- I haven't looked at this deeply, so I'd
15 have to understand what gave rise to this formula in
16 the first place, and if it was very specific to the
17 area and roadway lighting class. And if that's the
18 case, it may not be applicable to the -- the
19 circumstances of the zero to thirty (30) class. But
20 conversely, it may be completely appropriate.
21 MR. BILL HARPER: Okay. Well, maybe -
22 - maybe I'll leave -- leave it there, and that'll --
23 that'll be fine for now. Okay. We -- could we turn
24 up GAC number 21, please?
25

1 (BRIEF PAUSE)

2

3 MR. BILL HARPER: And here -- here you

4 were asked about the weigh -- the weighted customer

5 allocations for a -- for a number of things. And if

6 we scroll down, I believe there's a table here that

7 shows the derivation of the weighting factors for

8 meter reading, if we keep on scrolling down. That's

9 probably it right there. Yes. Yes. So thank you.

10 And -- and if I look at this table, it

11 seems to me that the meter reading weighting factors

12 were developed solely based on meter reading

13 frequency, assuming that the meter reading -- one (1)

14 meter reading for any class costs exactly the same in

15 terms of money and effort, as it did for any other

16 class.

17 Is -- is that a fair characterization

18 of this?

19 MS. KELLY DERKSEN: Yeah, that's how

20 we've made the allocation, is based on the frequency

21 of the meter readings by customer class. And I think

22 where you're going or what your question is, is that

23 is -- is that a reasonable assumption to make,

24 possibly because it -- it could cost more to read

25 larger meters perhaps that are more complex than

1 smaller customer meters.

2 And, you know, I -- you -- you probably

3 have a -- a valid point. We -- we understand that it

4 -- you know, for example, it might cost, you know,

5 double the amount to read a demand meter versus a -- a

6 non-demand meter. And so I -- I suppose one could

7 make that kind of -- apply that kind of assumption in

8 this -- in this allocator.

9 The net impact, though, we've quickly

10 run that. We were anticipating this, Bill. The net

11 imp -- impact would be about plus or minus less than

12 .1 percent.

13 MR. BILL HARPER: The problem is

14 always point ones (.1s) accumulate -- if -- if you get

15 enough of them, that --

16 MS. KELLY DERKSEN: Sure. And -- and,

17 you know, and -- and I have given that some thought.

18 And I'd like to just comment on that, if -- if you

19 don't mind. The -- the question is in a -- in a

20 number of parts of our materials, or certainly in the

21 Information Requests. And some of the discussions

22 that we've been having in the last couple of days is,

23 you know, that's not material and that's not material.

24 And Bill I think makes a valid point,

25 and that is you -- you start adding up these little

1 pieces. It could add up to something -- to something
2 much bigger. And, you know, the question is: How do
3 you define cost effective, and sort of in terms of
4 determining what the -- the pecking order of things
5 that need to be modified over -- over time?
6 And it's -- it's almost impossible to,
7 you know -- to draw that line. It's -- it -- it's
8 based on -- it's based on judgment, it's based on I
9 guess things like materiality. We've had a couple of
10 discussions in the last couple of days about this
11 issue of reasonability versus perfection. And that is
12 an issue I think in -- in my mind.
13 I had a nice discussion this morning,
14 I'm not sure with whom, but the -- but the discussion
15 was about Is your methodology sound? And is it a
16 matter of refining some of the weights? Because the -
17 - the first thing we need to get through, the -- the
18 first hurdle that needs to be dealt with is is your
19 methodology sound?
20 And so if you decide that your
21 methodology is not sound, that likely should take some
22 priority over -- over refinements, again, dependent on
23 -- on materiality.
24 And the other issue is, you know, we've
25 got large investment coming online, as you know, in

1 the upcoming number of years. And that's going to
2 serve to double the size of our investment. And
3 without question, there are going to be cost-of-
4 service implications of doing that.
5 And so you need to look at some of
6 these things that might be accumulating, you know,
7 vis-a-vis some -- some of those other very big-ticket
8 items. And so it's -- it's difficult to say. And I
9 suppose, you know, all the -- all parties are going to
10 argue at the end of the day, you know, where the
11 resources need to be -- to be spent.
12 MR. BILL HARPER: Maybe just pause on
13 this. Just -- just I'll make a comment, but a
14 question first. Does Manitoba Hydro do -- do its own
15 meter reading, or do you contract out? Just out of
16 curiosity.
17 MS. KELLY DERKSEN: We have a
18 subsidiary that does meter reading services for
19 Manitoba Hydro.
20 MR. BILL HARPER: Just as an -- as an
21 observation, I -- I find that for utilities to do
22 their own meter reading is sometimes difficult to
23 figure out what the relative costs are.
24 If you're contracting out and your
25 contractor says, I'm going to charge you 'X' dollars

1 for every one of these types of meters I read and 'Y'
2 dollars for every one of these types of meters I read,
3 it's pretty -- the utilities are pretty easy to come
4 up with the weightings. They just look -- they just -
5 - they -- they just look at the contracts. So maybe
6 that's something we can deal with.
7 I -- and also, the other observation I
8 just wanted to make is, you know, we started out --
9 we've started off talking about how generation and
10 transmission are very large-dollar items. Well, if
11 you look at that graph you had, distribution's got
12 more dollars in it than transmission, and there's
13 fewer people paying for it because the large customers
14 don't pay for it.
15 So -- so to some extent, you know, how
16 distribution gets div -- divvied up is import -- is
17 pretty important for those people who are paying for
18 it. That's just want I want to say in terms -- terms
19 of why we're spending some time on this from our
20 perspective.
21 MS. KELLY DERKSEN: You know, that's
22 fair. It's not that distribution doesn't matter.
23 Other issues have consumed us from a cost of service
24 perspective for more than a decade. And that is --
25 means very critically from at least the -- the seat

1 that I sit in that we bring some closure to some of
2 those issues because there are other issues that
3 arguably should also be dealt with.
4 MR. BILL HARPER: Can we turn up
5 Coalition number 38? And I think we talked about this
6 one yesterday in the context of transmission. And I
7 would -- and -- but there's a flip side of -- of it
8 here. This is the one where there were some assets in
9 subtransmission. And we talked yesterday about how
10 you were shifting -- what -- you were shifting some of
11 those over to -- to transmission.
12 And equally, I believe it's equally --
13 and -- and in this one there's a number then that were
14 -- maybe -- have I got -- have I got the wrong -- have
15 I got the wrong one here? No. Actually -- actually,
16 no. I'm -- I'm sorry. I -- it's -- it's the wrong
17 reference. I apologize.
18 If we looked at the asset -- assets
19 schedule you had in your -- I believe it was schedule
20 C6 and C12 where you're showing your rate base.
21 Actually, it's the one (1) where you're showing the
22 rate -- the rate base in your PCOSS and you're moving
23 some of the assets out of subtransmission and into
24 distribution.
25 I'm just wanting to get a clarification

1 at that point what you're moving out of
2 subtransmission and into -- to distribution?
3 MS. KELLY DERKSEN: Was it
4 subtransmission into distribution or into
5 transmission?
6 MR. BILL HARPER: No, yesterday we
7 talked about -- because we were talking about
8 transmission we were talking about subtransmission
9 into distribution. That same chart shows a
10 reassignment of some of those subtransmission assets
11 into distribution as well. And I was just wondering
12 if you had some sense of what those assets were that
13 you were moving into distribution for purposes of --
14 of -- that were recorded in subtransmission in your
15 financial systems, but you're moving -- moving into
16 distribution for purposes of your cost allocation
17 study.
18 MS. KELLY DERKSEN: You know, off the
19 top of my head I can't think of what assets that we
20 would have refunctionalized from subtransmission into
21 distribution. Without question, we have moved some
22 subtransmission into transmission. So with -- you
23 know, I couldn't immediately respond to that, Bill.
24 MR. BILL HARPER: Well, maybe -- maybe
25 -- could I just leave that with you as a -- as an

1 undertaking then, you -- you can get back as an
2 undertaking to tell us what -- what those assets were
3 that you moved out from subtransmission into
4 distribution?
5 MS. KELLY DERKSEN: I'm going to throw
6 an undertaking back to you. If you can provide the
7 reference that you were spec -- specifically referring
8 to so that we have a good idea of which costs
9 specifically that you're referring to, so it makes it
10 -- our job a little easier, please.
11 MR. BILL HARPER: Well, maybe I can
12 find that while Daymark is asking their questions as
13 opposed to trying to scramble through the material
14 now. That would make it quicker for everybody.
15
16 --- UNDERTAKING NO. 21: Manitoba Hydro to provide
17 a list of assets that were
18 moved out of
19 subtransmission into
20 distribution
21
22 MR. BILL HARPER: Okay. And I don't
23 know whether we need to turn it up, but there -- there
24 are -- there are responses to Coalition number 80 and
25 number 81 where we were talking about ser -- service

1 extension and investment allowances and minimum
2 charges for our residential customers and for other
3 smaller customers.
4 And there's a -- there -- there -- if
5 we look at Coalition number 80, attachment number 2,
6 there's a provision in the electric service agreement
7 for a minimum bill for the first three (3) years and
8 all it says in the service agreement, Minimum bill,
9 and there's a blank, because I guess you fill the
10 number in for any particular customer.
11 And I guess I was just curious as a
12 matter of principle, what's the basis on which you
13 establish that minimum annual bill for each of the
14 first three (3) years?
15 MR. GREG BARNLUND: Right, good. That
16 -- that minimum bill, or thirteenth month bill we
17 call, is -- is our systems are set so that when we
18 enter a service extension request and enter a --
19 generate a work order for a service extension, the
20 information that's included in there includes an
21 estimate of the customer's revenues.
22 So for a small general service customer
23 say you've got an estimate of revenue, so there's an
24 allowance that's generated, which is three (3) times
25 that annual revenue. And so what our system does is

1 that at the end of each year it'll do a bit of a tally
2 on each of those customers that have been connected
3 and it looks at the revenues we've billed from that
4 customer and compares that with the amount that we had
5 predicted we would be seeing from that customer at the
6 outset.
7 If there's a shortfall then we will
8 send that customer bill to top up the -- the amount to
9 be able to, you know, make that consistent with what
10 had been originally forecast when the customer was
11 attached.
12 MR. BILL HARPER: Okay. Well, then
13 maybe on that basis could -- could we look at your
14 response to Coalition 80D and E? If you scroll back,
15 I think -- I think that was -- that was the same
16 response but there was a written response to 80D and
17 E.
18 Because I think in the response to 80D
19 and E you indicated that the revenue test for
20 residential -- the revenue allowance for residential
21 was only based on only two (2) years?
22 MR. GREG BARNLUND: Right. So I was
23 speaking of a general service customer --
24 MR. BILL HARPER: No, well, I was
25 thinking of a -- the service agreement I was looking

1 at I thought applied to residential customers.

2 MR. GREG BARNLUND: Yeah.

3 MR. BILL HARPER: And to be quite

4 honest, I was struggling with the fact that how you

5 got the minimum bill, but why the minimum bill would

6 be applicable for three (3) years when you only gave

7 the customer credit for two (2) years in terms of

8 investment allowance when you're actually doing the

9 service extension?

10 MR. GREG BARNLUND: Right, so -- so in

11 terms of residential customers, I mean, it's -- it's

12 no necessarily cal -- calculated at three (3) times

13 their -- their forecast usage. There's a -- a fixed

14 allowance that we have in our -- in our system and in

15 our policy that if you're a electric heating customer

16 that you're going to be eligible to receive a four

17 thousand dollar ($4,000) allowance towards the cost of

18 constructing the system to connect you.

19 If you're a standard electric customer,

20 in other words, natural gas heated and using electric

21 for -- for your plug loads, you're going to receive a

22 sixteen hundred dollar ($1,600) allowance. Those

23 allowances are notionally around two (2) times annual

24 revenue for customers at this particular rate, so it's

25 based off of those fixed allowances as opposed to a

1 three (3) times calculation for residential customers.
2
3 (BRIEF PAUSE)
4
5 MR. BILL HARPER: Could we scroll down
6 this? Because I thought -- I could have sworn I read
7 somewhere there was a two (2) year allowance. Overall
8 residential investment allowance in -- were revised in
9 2014. The revisions reflect a moment from an
10 allowance that was notionally based on three (3) times
11 to two (2) times annual revenue.
12 That was the -- that was the point I
13 was picking up. What you're -- what you're saying is
14 I should take notionally with a -- as being the qua --
15 qualifier to that?
16 MR. GREG BARNLUND: So -- so previous
17 to 2014, the allowances for forty-three hundred
18 dollars ($4,300) for an electrically heated home and
19 eighteen hundred and forty-five dollars ($1,845) for a
20 standard residence.
21 So -- so in coming up with the four
22 thousand (4,000) and the sixteen hundred dollars
23 ($1,600), those are notionally around two (2) times
24 annual revenues for -- for an average consumption of
25 those two (2) types of occupancies.

1 MR. BILL HARPER: Okay. Okay, so now
2 I understand. But there does seem to be somewhat of a
3 disconnect there between two (2) times the revenue and
4 asking for a minimum bill for three (3) years?
5 MR. GREG BARNLUND: Well, the minimum
6 bill is not likely going to apply to a residential
7 customer. Like, it's going to be -- it's a small
8 general service customer where that's going to be
9 applied, so.
10 MR. BILL HARPER: Okay. And scroll
11 down. There -- there was some reference of a --
12 scroll down just a little bit further. I was curious.
13 There was some reference here. Stop, please. The
14 investment allowances for residential customers
15 situated outside urban centres was harmonized with the
16 investment allowance provided to urban customers
17 effective 2016.
18 And I wasn't too sure what the
19 difference was before and what was harmonized with
20 what. So maybe you could just speak to so we now know
21 as of January 1st, 2016, what's the result of all this
22 harmonization?
23 MR. GREG BARNLUND: Sure. Sure. No,
24 good point, Bill. Years ago, I mean, we had service
25 extension allowances that were different for rural low

1 density areas than they were for the urban centres.
2 So, you know, prior to 2001, we had
3 zoned rates for our residential customers. We had a
4 zone 1, a zone 2, and a zone 3 rate. We also had a
5 different extension allowance that was available for
6 rural customers that were situated in the -- in zone
7 3. And that, I mean, dates right back to 1956 at the
8 end of rural electrification.
9 I mean, we gave them basically one (1)
10 mile of feeder and service prop and transformer and
11 meter, and that was the -- you know, it was a
12 distance-based allowance at that point in time. So no
13 matter what it cost you to build that line, you gave
14 them that certain amount of distance line free.
15 Over the years, you know, that ended up
16 costing you thirty thousand dollars ($30,000) to do
17 that. So in 2013 we decided to address that
18 particular set of allowances for those low density --
19 customers situated in those low density areas.
20 We moved to a fixed allowance of
21 fifteen thousand dollars ($15,000) January 1st of 2013
22 saying that, you know, whatever it cost you to extend
23 service, if you were five (5) miles down the road,
24 you're going to get fifteen thousand dollars ($15,000)
25 towards your service extension, that's it.

1 But we -- our intent was to be able to
2 harmonize that, so a residential customer would be
3 treated the same way no matter whether you're in town
4 or outside of town, right?
5 So then the next move would have been
6 January 1st of 2015 to say that allowance was then cut
7 to seventy-five hundred dollars ($7,500), okay? So we
8 just moved them down to seventy-five hundred dollars
9 ($7,500). And then here, as of January 1st of 2016,
10 then the allowance that they'd be receiving in rural
11 area is the four thousand dollar ($4,000) if you're
12 electrically heated home or the sixteen hundred dollar
13 ($1,600) allowance if you're a standard home.
14 MR. BILL HARPER: Okay, thanks. Thank
15 you. Could we turn to PUB 47?
16
17 (BRIEF PAUSE)
18
19 MR. BILL HARPER: Okay. And actually,
20 maybe just scroll down -- scroll down a little bit.
21 And actually, I'm sorry, it's up. But I want to look
22 at the -- sort of the last three (3) -- the last four
23 (4) la -- the last four (4) little paragraphs at the
24 bottom of pa -- page 1. Right. And here we are
25 talking about how you're functionalizing communication

1 costs.

2 And I -- I guess -- and I -- it was

3 generally an operating cost. But I noticed if you

4 look at the three (3) categories here, operating,

5 depreciation, and interest you notice in two (2) cases

6 they're functionalized strictly on operating cost ex -

7 - excluding distribution services, ARL, and

8 distribution.

9 Then when it came down to the rate

10 based one (1) you were also excluding water rentals,

11 fuel pur -- fuel -- fuel and power purchases, and

12 distribution services. So there seemed to be a

13 different base for -- for assigning these -- these

14 three (3) costs, even though -- though they were both

15 -- all associated with -- with the -- you know,

16 they're different aspects of -- of the same sort of

17 activity depreciation, operating costs, and interest.

18 And I was just wondering whether there

19 was a typo, and all three (3) bases were supposed to

20 be the same, or there was an explicit choice to make -

21 - to make one (1) allocation base different from the

22 other two (2).

23 MS. KELLY DERKSEN: There's some

24 distinction. We're getting into the real finite

25 detail within the cost allocation, with the exception

1 of -- of one (1) thing, and that is interest, and
2 purchased power, and -- and fuel, for example. We
3 intentionally -- and -- and water rentals, for that
4 matter. We intentionally exclude those because the --
5 you know, those are really unrelated to -- to labour
6 dollars, which in spirit this -- this whole thing is -
7 - is attempting to do. So we exclude that because
8 otherwise that's just going to, you know --
9 MR. BILL HARPER: Yeah. No, no, I
10 understand that. I was wondering whether --
11 MS. KELLY DERKSEN: -- distort the
12 allocation.
13 MR. BILL HARPER: -- I was wondering
14 whether they should have also been excluded from the
15 operating -- from the -- from the functionalization of
16 the operating and depreciation components as well. I
17 was surprised they hadn't been excluded from -- from
18 those two (2) components actually.
19 MS. KELLY DERKSEN: For purchases,
20 water rent -- water rentals, and fuel there would be
21 no depreciation component associated with those.
22 MR. BILL HARPER: No, but it -- it
23 says, "Function" -- for operating it says,
24 "Functionalized in proportion to operating costs." So
25 I thought there were operating costs. I thought fuel

1 and power purchases and water rentals were part --
2 were -- were a part of operating costs.
3 And again, in proportion to -- you
4 know, so then I guess that's what I was wondering.
5 Under the operating line it says, "Functionalized in
6 proportion to operating costs excluding" -- and -- and
7 then that's why I guess -- it was mainly the first one
8 (1) I was wondering about as to why fuel and water
9 rentals hadn't been taken out I guess.
10 MS. KELLY DERKSEN: It -- it has been
11 excluded. And it -- you know, it's -- it's not there.
12 But --
13 MR. BILL HARPER: Okay. No, I -- I
14 thought it might have been a typo and I just wanted --
15 wanted to make sure that's -- that's all. Thank you.
16 If you can bear with me for just a minute here. I
17 think -- I -- I think Mr. Bowman had talked to you
18 about MIPUG number 4 and the customer service. And
19 you -- you were going to get back to him and explain
20 how -- you know, how that -- how -- what -- what plant
21 numbers...
22 MS. KELLY DERKSEN: Yes, I have the --
23 the undertaking. It was -- it -- we're going to get
24 back to him.
25 MR. BILL HARPER: Okay. That's fine

1 on that one (1) then. Okay. And I wanted to go to --
2 if we can go to Coalition number 77.
3
4 (BRIEF PAUSE)
5
6 MR. BILL HARPER: And here we asked
7 for -- actually it was a -- you know, here -- in Part
8 C -- it was Part C I was looking at here, which is
9 maybe the next -- maybe the next -- yeah. Yeah, see,
10 it was a different section. Sorry, I should have said
11 -- I should have said Part C. I guess here we're
12 asking for if there were additional basically rates or
13 charges that customers and primarily residential
14 customers pay, what were they, and where -- where
15 could they be found.
16 And you referred to us a couple -- you
17 referred us to a couple of websites. One (1) was a --
18 sort of a -- a sample bill, which sort of showed out
19 where things showed up in the bill. And the second
20 one (1), which was more informative, was a glossary of
21 terms of things one might find on the bill. And there
22 were references to charges like NSF cheque fees,
23 reconnection fees, reconnect after hours fees.
24 And I guess I -- I found references to
25 those fees as being potential fees, but I couldn't see

1 anywhere what people might act -- you know, posted
2 anywhere what people might actually be charged for
3 those. Like what -- what was the rate -- what was the
4 charge or rate that people would face for -- for those
5 partic -- for those particular items if -- if they
6 were applicable.
7 And I was wondering, is -- is that
8 actually found somewhere either on Manitoba Hydro's
9 website, or -- or in some -- something that's sort of
10 readily accessible from a customer perspective?
11 MR. GREG BARNLUND: Let me just check
12 for a second here, Bill.
13
14 (BRIEF PAUSE)
15
16 MR. GREG BARNLUND: Subject to check,
17 Bill, I'm thinking that one (1) of those links
18 embedded in that response had information in terms of
19 the level of those charges on our website. But I
20 haven't checked that here, but that was my
21 understanding.
22 MR. BILL HARPER: Okay. If you could
23 because I sort of clicked on both and was trying to
24 click around the sites --
25 MR. GREG BARNLUND: Yeah.

1 MR. BILL HARPER: -- and I -- I
2 couldn't find a number because that's what I was
3 looking for was a little schedule that might just have
4 said, Here are all the other charges that might apply
5 to you, and, you know, forty-five dollars ($45) for
6 this, fifteen dollars ($15) for that.
7 MR. GREG BARNLUND: Right. My
8 recollection was that it was there, but let me -- we
9 can double check that for.
10 MR. BILL HARPER: Okay.
11 MR. GREG BARNLUND: Yeah.
12 MR. BILL HARPER: If -- if you could,
13 that would be fine.
14 MR. GREG BARNLUND: Yeah.
15 MR. BILL HARPER: And either may just
16 confirm precisely which link it is, if that -- if it
17 isn't, or provide me another link if that isn't --
18 isn't the right one.
19 MR. GREG BARNLUND: Sure. We'll do
20 that, yeah.
21
22 --- UNDERTAKING NO. 22: Manitoba Hydro to provide
23 website link to schedule
24 of additional charges
25

1 MR. BILL HARPER: Okay. And then
2 there was a catch-all at the end. I guess there's a
3 catch-all in everything that says, "other charges."
4 And I guess which seem to say if it doesn't appear in
5 the list it appears in another.
6 But is it fair to say like, other than
7 doing specific -- other than specific work orders
8 which I understand you might have a specific work --
9 work order that applies -- applies to a customer,
10 those three (3) and -- and late payment fees which are
11 covered elsewhere, those four (4) charges -- late
12 payment fees, NFS (sic) cheques, reconnect fees, and
13 reconnect after-hour fees -- those are the only sort
14 of standard charges that -- that are applicable to --
15 to customers, I mean, over and above the power rates
16 that the Board itself approves?
17 MR. GREG BARNLUND: Right. There may
18 be notice -- notification on there or some information
19 there about a self-read fee, a metre self-read fee,
20 too. But that's pretty much the collection of fees we
21 would have, yes.
22 MR. BILL HARPER: Okay. And then I
23 think if we can -- let me just -- I -- I think --
24 because the last one I had was -- actually I think was
25 following up -- I think Bill had said I'd follow up on

1 -- on the issue Mr. Chernick had been talking --
2 talking to you about, which was to do with apartment
3 buildings.
4 And I guess -- and the fact that I
5 guess -- now, that was with respect to GAC number 50
6 and the fact that there were a hundred and three (103)
7 residential customers that had residential metres that
8 were located in some forty-nine hundred (4,900)
9 general service customer buildings, if I can put it
10 that way.
11 So that service to that building would
12 be serving -- it'd be forty-nine hundred (4,900)
13 services that would be serving both those forty-nine
14 hundred (4,900) GS customers plus those hundred and
15 three thousand (103,000) residential customers.
16 Would -- would that be correct?
17 MS. KELLY DERKSEN: I believe so,
18 yes.
19 MR. BILL HARPER: And -- but in your
20 cost-of-service model, you've assumed -- you've
21 actually allocated services costs as if all those
22 hundred and three thousand (103,000) customers each
23 had their own individual service, if I'm not mistaken.
24 MS. KELLY DERKSEN: Yeah. Yes, I -- I
25 think that's true also.

1 MR. BILL HARPER: And that -- and that
2 you also allocated those forty-nine hundred (4,900)
3 general service customers as if they had individually
4 their own individual services is right, correct?
5 MS. KELLY DERKSEN: Yes, I think
6 that's true also.
7 MR. BILL HARPER: Do you -- would you
8 have any sense -- and I guess, you know, what you
9 allocate to those general service customers, there's
10 different weightings applicable to different classes.
11 And I guess maybe this is where you were having some
12 discussion with Mr. Chernick about whether there was
13 any sense as to what types of customers those general
14 services customers were.
15 Were they general service small,
16 general service medium, or could they even be general
17 service large, zero -- zero to thirty (30) customers,
18 I guess, if it was a big enough apartment building?
19 Or do you have any sense of that at all?
20 MS. KELLY DERKSEN: I would not
21 anticipate it would get as large as the GSL class, but
22 likely GSS, GSM likely within those two (2) groups of
23 customer classes.
24 MR. BILL HARPER: Okay. Fine. Well,
25 you know, and I guess that's about as far as you've

1 got knowledge now in terms of what -- what the split
2 might be between -- you really don't know any more
3 about that?
4 MS. KELLY DERKSEN: I -- I don't know.
5 MR. BILL HARPER: Okay. No, that's
6 fair. I just didn't want to leave it in case you
7 said, Yes, I do, 25 percent are this, you know. Okay,
8 fine. I think -- I think tho -- tho -- those are all
9 of my -- my questions, Mr. Grant.
10 THE FACILITATOR: Thank you for that.
11 All right. Well, we're moving right
12 along. We're onto Daymark now.
13
14 QUESTIONS BY BOARD CONSULTANT (DAYMARK):
15 MS. MARY NEAL: All right. So
16 yesterday we have a lively discussion about a request
17 for fifteen (15) years of data. We have discussed it
18 and have an alternative request for data from just
19 three (3) individual generating stations, the Kettle,
20 Long Spruce, and Limestone stations, for monthly
21 capacity factors for five (5) specific years.
22 So -- so it's not fifteen (15) years,
23 it's just five (5) years, just monthly data on a
24 station basis, not a unit basis.
25 Is that something you could undertake

1 to provide?

2

3 (BRIEF PAUSE)

4

5 MS. ODETTE FERNANDES: Unfortunate --

6 MS. KELLY DERKSEN: I would --

7 MS. ODETTE FERNANDES: Sorry, I was

8 going to say unfortunately that's Mr. Cormie's area,

9 so maybe what we can do is we'll take that to him and

10 just confirm with him that we can provide that and

11 then get back to you.

12 MS. MARY NEAL: Okay. All right.

13 MS. KELLY DERKSEN: I -- I would

14 expect that that information is available, but we will

15 take -- you know, we will confirm with him and advise

16 accordingly.

17 MS. MARY NEAL: Okay. So the

18 undertaking would be to provide monthly capacity

19 factor data for the following individual stations,

20 Kettle, Long Spruce, and Limestone for five (5)

21 different year, fiscal year 2002/2003, 2003/2004 --

22 MS. KELLY DERKSEN: Oh, oh, oh, oh. I

23 -- I don't know that we have -- we would have data

24 that far back. I'm not sure. You know, we may have

25 data for the last five (5) years for certain, but

1 going back more than a decade, I'm not sure that we
2 would have that readily available.
3 I -- I just kno -- don't know that, so
4 we would have to take that again, under advisement.
5 THE FACILITATOR: Still, let's get the
6 undertaking and then if you can't provide part of it
7 you can't do it.
8 MS. MARY NEAL: Yes, thank you. So
9 that was 2002/2003, 2003/2004, 2013/2014, 2014/2015,
10 and 2015/2016.
11
12 --- UNDERTAKING NO. 23: Manitoba Hydro to provide
13 monthly capacity factor
14 data for the following
15 individual stations,
16 Kettle, Long Spruce, and
17 Limestone for five (5)
18 different year, fiscal
19 year 2002/2003, 2003/2004,
20 2013/2014, 2014/2015, and
21 2015/2016
22
23 MS. MARY NEAL: Switching topics to
24 DSM briefly, you were talking earlier a bit about
25 Order 116/08 and how there could be an imbalance

1 coming from that. I think the word 'wonky' was used.
2 If you could perhaps explain to the Board what you
3 were really talking about there, help them understand
4 what the imbalance is.
5 MS. KELLY DERKSEN: Probably need a
6 white board for this. My understanding is there was
7 the issuance of Order 117/06 in 2006 and in that order
8 the regulator directed that the cost related to DSM be
9 directly assigned to the export class.
10 I can't say off the top of my head how
11 clear it was, that direction was. The Company
12 interpreted that -- that direction to mean that if we
13 were going to assign the cost of DSM then any of the
14 energy savings that have been made available by the
15 various DSM programs that we have taken over the
16 course of the last, let's say twenty (20) years, that
17 those savings be applied also against the export
18 class.
19 If you assign the cost they should get
20 the benefit. And that was the Company's
21 interpretation of the Board's direction. It was later
22 decided in 116/08 -- I -- I need to step back. The
23 challenge with having done that then as one (1) of the
24 Intervenors pointed out, at some point between 117/06
25 and 116/08 is now instead of let's say on a total

1 system basis we have ten (10) units of energy.
2 We are now -- we have more energy. We
3 have maybe fifteen (15) units of energy because in the
4 load forecast that already assumes that those savings
5 are inherent in that. So you can't take it out,
6 because then your whole system is -- is imbalanced.
7 So we were left with more energy than the system had
8 available. So it didn't make sense to do that.
9 We only had ten (10), but now we were
10 showing in cost of service that we had fifteen (15),
11 and those -- those five (5) units of energy were
12 sitting as in the export class, which made the export
13 energy lesser than it would have otherwise been.
14 So through the process of 116/08
15 direction was provided. Unfort -- unfortunately
16 because of this complexity, direction was provided
17 then to say, No, we meant that only the cost related
18 to DSM belong -- should be directly assigned to the
19 export class. Now take that five (5) unit -- units of
20 energy and add it back to the domestic customer
21 classes, which just shifted the error to the domestic
22 customers.
23 The error is still sitting there.
24 We're still left with an imbalance of five (5) units,
25 it just now resided with the domestic customers, so

1 that was a problem and -- and through -- that was
2 identi -- identified through discussions flowing from
3 the review and vary application that Manitoba Hydro
4 made and through one fif -- 150/08, so that -- that
5 never got resolved.
6 There was -- I understood that the
7 direction coming out of 150/08 was, you know, that we
8 were going to take some things aside and deal with
9 some of these issues with Board advisors and the PUB.
10 And, you know, I don't know whatever -- I don't know
11 whatever came of that specific issue.
12 So when the materials were prepared for
13 PCOSS14 amended that included 116/08, that error is
14 still sitting in there. And that was the discussion I
15 was trying to have with Mr. Bowman. I get that
16 there's a fair argument, or fair -- fair to some
17 certainly that you could assign the cost of DSM
18 against the export class. That's a discussion to
19 have. That's -- it's a fair discussion to have.
20 But we can't be tinkering with the
21 energy unless the energy remains whole for the entire
22 system with respect to cost-of-service because that's
23 where the -- where the error came from. And the
24 challenge with that is, moving energy around shifts
25 cost responsibility around by customer classes also.

1 And that was the discussion I was
2 attempting to have with Mr. Bowman, to say I think the
3 larger effect of 116/08 was not the assignment of the
4 DSM cost against the export class, it was this error
5 in the treatment of the energy that was causing the
6 bigger of the impact.
7 So that's why I was trying to caution
8 Mr. Bowman to say be careful because even if it
9 continues to be directed that DSM costs be assigned
10 against exports, we can't continue with -- with that
11 error. And I think a lar -- a large part of the
12 impact was because of that.
13 MS. MARY NEAL: Okay, thank you. If
14 we could bring up the response to PUB IR number 45.
15
16 (BRIEF PAUSE)
17
18 MS. MARY NEAL: So the question is in
19 regard to this 36/28/36 percentage functionalization
20 allocation that you do. Just out of curiosity, could
21 you explain why it's 36/28/36 instead of, for
22 instance, just a one third allocation to each of those
23 functions?
24 MS. KELLY DERKSEN: I really can't. I
25 -- I don't have -- we have some materials that speak

to this, but we can't -- we can't really rationalize them, so I can't give you any more of an explanation other than that.

MS. MARY NEAL: Okay, thanks. All right. I just also have a few requests for some data that was provided in response to IRs but to have it be provided in electronic Excel format.

So the first request is for attachment to PUB IR number 5, which has load research data. Could that be provided in Excel format?

(BRIEF PAUSE)

MS. ODETTE FERNANDES: Maybe what we'll do, if -- if you can put the requests on the record because then I think we're going to have to go back and see what we have, what we can provide in Excel and what we -- what we can't.

MS. MARY NEAL: Okay. So the request is for the following information to be provided in an Excel format. First is the attachment to PUB IR number 5. Also the table listed in response to PUB number -- IR number 30, Part C. And also PUB IR number 60, Part D; PUB IR number 65, Part A; and all five (5) tables provided in response to PUB IR number

1 70.

2

3 --- UNDERTAKING NO. 24: Manitoba Hydro to provide

4 the following in Excel

5 format: Attachment to PUB

6 IR number 5; table listed

7 in response to PUB IR

8 number 30, Part C; PUB IR

9 number 60, Part D; PUB IR

10 number 6, Part A; and five

11 (5) tables in response to

12 PUB IR number 70

13

14 MS. MARY NEAL: And, John, I think you

15 had some questions.

16 MR. JOHN ATHAS: Good afternoon. I --

17 I have just one (1) question that's somewhat a follow-

18 up on the discussion you had on the loads. And I --

19 and I -- I'm just -- just trying to find out exactly

20 what the -- how something was handled in the load

21 forecast that's being used for the cost of service

22 study. I -- you know, as opposed to kind of creating

23 any -- any alternatives, debates, or anything like

24 this. So I might be able to get us out of here

25 quicker with that kind of ca -- introduction.

1 How are the -- for the domestic load,
2 the load forecast that's used for the cost of service
3 is a forecast of what will actually be needed with all
4 the effects of DSM having been realized. Is that
5 correct?
6 MS. KELLY DERKSEN: I believe that's
7 true, yes.
8 MR. JOHN ATHAS: Now, I'm trying to
9 understand exactly how the -- how the effects of the
10 DSM are in there, both effects of prior programs and
11 effects of the -- you know, like the -- sort of --
12 sort of the test year program to see -- to make sure I
13 just understand to what extent you have explicitly or
14 implicitly have the DSM effects modelled.
15 MS. KELLY DERKSEN: Maybe you can be
16 more specific. What I can offer to you is in terms of
17 the load forecast it is my understanding that inherent
18 in that load forecast is -- is energy savings. As a
19 residential customer who -- who undertakes a specific
20 program and puts some measures in place to reduce
21 their energy consumption, that should naturally be
22 reflected in -- in the load forecast. And so that's
23 sort of from a historical basis. That forms the basis
24 also of the -- the forecast for the -- the test year.
25 In terms of how they model what the -- the forecasted

1 energy savings are in the test year in question,
2 specifically, I -- I couldn't speak to that
3 specifically.
4 MR. JOHN ATHAS: Okay. So the first
5 part that you're answering is the fact that the -- the
6 continual effects of the -- of the existing imple --
7 already implemented DSM programs is in there because
8 of the regression or whatever kind of combination of
9 work they used to get the -- to get that part of the -
10 - of the load forecast.
11 That -- is that fair to say what --
12 what you were tal -- meaning?
13 MR. ROBERT CAMFIELD: I've had a
14 chance to review Manitoba Hydro's load and forecast
15 methodology. And MH, like many income and service
16 providers with sizeable DSM programs, has the history.
17 And implicit in that historical data, John, is -- is
18 the DSM impacts. They simulate what those DSM impacts
19 are by year, and thus the cumulative impact. That is
20 then subtracted out of that history.
21 The time series regression analysis is
22 conducted. Then at the end of the forecast period the
23 DSM impacts are added back in. And then the
24 simulation of the prospective DSM impacts are -- are
25 included. And that's what constitutes the forecast

1 test year energy sales and peak demands.
2 MR. JOHN ATHAS: Perfectly
3 articulated. I completely understand what you're --
4 what you're saying, so got that one (1) fine. Now,
5 the other questions I have -- one (1) -- one (1)
6 question I have, and I'm just trying to -- is there a
7 difference between a customer causing a cost and the
8 cost being spent on the customer? Because I -- I
9 don't see how DSM -- how customers cause DSM costs.
10
11 (BRIEF PAUSE)
12
13 MS. KELLY DERKSEN: The Utility
14 undertakes DSM programming in anticipation that
15 customers will partake in those programs.
16 The incentive, of course, from the
17 customer is, if they do partake in those programs
18 which may cost them money up front, over the long
19 term, and maybe, perhaps in some cases, in -- in the
20 shorter term, that they're going to see energy
21 reductions, and therefore reduction in their bill to
22 Manitoba Hydro by having undertaken that activity.
23 So in -- in -- from a cost allocation
24 perspective, notwithstanding the fact that Manitoba
25 Hydro pursues DSM with the expectation that customers

1 will participate, we are still able to identify those
2 classes who partake in those programs and are able to
3 then assign the cost of those programs directly to
4 those customers who par -- who partake in -- in the
5 programs.
6 So I'm not certain that there is a
7 distinction there. I -- I view those things one and
8 the same. Customers participate because they want to
9 participate, because, to that customer, they will pay
10 lesser on their energy bill than the cost to parta --
11 participate in -- in the program.
12 MR. JOHN ATHAS: That's fine. That's
13 all I wanted to get. That's -- that's it for me
14 today.
15
16 (BRIEF PAUSE)
17
18 THE FACILITATOR: Very good. Thank
19 you. And just to be sure that -- that we are
20 complete, are there any questions of party that --
21 particularly with respect to otherwise undertakings
22 that need to be put on the record?
23 MR. BILL HARPER: Bill, maybe -- I had
24 an undertaking which I was supposed to get back to
25 Manitoba Hydro on. And I think the -- the reference

1 were Schedule C6 and C8 in the PCOSS, and that shows
2 distribution and operating costs respectively that are
3 refunctionalized from subtransmission to distribution.
4 And I was just wondering what the basis
5 for that was in each case. Thank you very much.
6 Maybe we can just note -- note that as an undertaking
7 now that I've met my undertaking. That'd be great.
8 Thank you.
9
10 --- UNDERTAKING NO. 25: Manitoba Hydro to explain,
11 in Schedule C6 and C8, the
12 basis for distribution and
13 operating costs being
14 refunctionalized from
15 subtransmission to
16 distribution
17
18 THE FACILITATOR: I think Sean has
19 that. Anything else? Sorry, Paul. You were out of
20 the room while Bill was trying to follow up for you
21 for a bit. But hopefully, that question's been dealt
22 with.
23 MR. PAUL CHERNICK: I -- I was here
24 for most of it, and I -- I heard some interesting
25 things. And...

1 (BRIEF PAUSE)

2

3 MR. PAUL CHERNICK: I'm looking right

4 now at a -- a -- I've -- I've been emailing back and

5 forth with the Company to try and -- and reach closure

6 on our remaining issues.

7 So I -- I think there are some

8 additional undertakings that the -- the Company says

9 that they can deal with, as I understand it. So

10 should I just read those into the record now?

11 THE FACILITATOR: Please.

12 MR. PAUL CHERNICK: Okay. I'm -- I'm

13 sorry. I'm a -- a little awkward, because I just got

14 the response back on my --

15 THE FACILITATOR: Well, if you were --

16 if you're emailing with Odette, I hope she wasn't as

17 severe with you as she was with me.

18 MR. PAUL CHERNICK: She's always been

19 very nice to me. I have -- okay. I've -- I've got to

20 hop back and forth between the list of -- and the --

21 okay.

22 So first of all, as a follow-up to

23 Coalition 14, I'd like to request an explanation of

24 how the net regulated/intangible costs are

25 functionalized -- that -- that are functionalized to

1 distribution are then classified and allocated,
2 whether that's proportional to all categories of
3 distribution costs, or whether it -- it's classified
4 entirely as customer-related, or some other way.
5
6 --- UNDERTAKING NO. 26: Manitoba Hydro to provide
7 an explanation of how the
8 net regulated/intangible
9 costs that are
10 functionalized to
11 distribution are then
12 classified and allocated;
13 whether that's
14 proportional to all
15 categories of distribution
16 costs, or whether it --
17 it's classified entirely
18 as customer-related, or
19 some other way
20
21 MR. PAUL CHERNICK: So that was --
22 that's the first question.
23 The -- the second one is as a follow-up
24 to the Green Action Centre's question 17, just noting
25 that the only data that we're provided in -- in that

1 response that disaggregated primary from secondary
2 costs were for the cable.
3 And that's what the question was about,
4 was splitting costs between primary and secondary.
5 And the follow-up question is: How did Manitoba Hydro
6 derive that breakdown of cable? Are those costs
7 tracked separately in the SAP, or was this some sort
8 of allocation?
9
10 --- UNDERTAKING NO. 27: Manitoba Hydro, in regards
11 to splitting costs between
12 primary and secondary,
13 indicate how did it
14 derives that breakdown of
15 cable? Are those costs
16 tracked separately in the
17 SAP, or was this some sort
18 of allocation?
19
20 MR. PAUL CHERNICK: Third, in IR-21,
21 there's a table on page 3 that left me scratching my
22 head, and some -- because there were -- I believe that
23 Mr. Harper had some questions that touched on this.
24 And I don't know whether this would be one (1)
25 undertaking or -- or a -- a number of them under --

1 just all having to do with this response.
2 But my first question was how was the
3 weight factor derived? Is this an -- an older
4 assumption that's carried over? It doesn't seem to be
5 a calculation in the table.
6 Secondly, I had the question of whether
7 this computation assumes that there's no extra cost
8 for reading demand meters or GSL customer meters, and
9 I think the answer we've already gotten on the record,
10 so I don't have to ask that again.
11 So I guess my -- the second part of my
12 question for IR-21 is whether a GSL customer can have
13 more than one (1) meter with the loads being
14 aggregated for billing purposes. So that's one (1)
15 customer with more -- more than one (1) meter, whether
16 that can happen.
17 Third, in this table, diesel meters are
18 all zeroed out. There are diesel customer numbers,
19 but no diesel meters. And my question is: How are
20 those costs dealt with, the cost of the meters in
21 diesel areas direct assigned, or how are they dealt
22 with in the cost-of-service study?
23 And, finally, the customer totals for
24 various classes, there -- this table has computations
25 across the number of -- of -- yeah, there are the

1 frequency of -- of meter readings. And the total
2 number of customers in that calculation does not equal
3 the forecasted number of customers shown in the right-
4 hand side of the table. And the same is true for the
5 weighted customers, that is basically the number of
6 meter readings. And I'd just like an explanation of
7 that.
8
9 --- UNDERTAKING NO. 28: Manitoba Hydro, in regards
10 to IR-21, the table on
11 page 3, is to answer the
12 following questions. How
13 was the weight factor
14 derived? Can a GSL
15 customer have more than
16 one (1) meter with the
17 loads being aggregated for
18 billing purposes? How are
19 those costs dealt with,
20 the cost of the meters in
21 diesel areas direct
22 assigned, or how are they
23 dealt with in the cost-of-
24 service study? Provide an
25 explanation: In regards to

1 the customer totals for
2 various classes, the total
3 number of customers in
4 that calculation does not
5 equal the forecasted
6 number of customers shown
7 in the right-hand side of
8 the table, and the same is
9 true for the weighted
10 customers, the number of
11 meter readings
12
13 MR. PAUL CHERNICK: Getting very
14 close, here. On PUB-33C, which concerned our beloved
15 line extension policies, I just wanted to ask for
16 clarification about whether the current line extension
17 policies had been in -- in effect for only a few
18 years, or for many decades, or for what period of
19 time.
20
21 --- UNDERTAKING NO. 29: Manitoba Hydro, in regards
22 to PUB-33C, which
23 concerned our beloved line
24 extension policies,
25 indicate if the current

1 line extension policies
2 had been in effect for
3 only a few years, or for
4 many decades, or for what
5 period of time
6
7 MR. PAUL CHERNICK: And finally, in
8 the cost-of-service study itself, in the tab called
9 Average Rate Base Finance and Reserve, there's $122
10 million of motor vehicle rate base that, as far as we
11 can tell, disappears. And my question is: Where did
12 that go, and where can we find the costs in other
13 parts? Thank you very much.
14
15 --- UNDERTAKING NO. 30: Manitoba Hydro to answer
16 the following question:
17 In regards to the cost-of-
18 service study, in the tab
19 called Average Rate Base
20 Finance and Reserve,
21 there's $122 million of
22 motor vehicle rate base
23 that seems to disappear;
24 where did it go, and where
25 can the costs be found in

1 other parts?

2

3 THE FACILITATOR: Thank you. And for

4 final questions, over to the panel for any final

5 questions.

6

7 (BRIEF PAUSE)

8

9 BOARD MEMBER GOSSELIN: I have a

10 question in relation to a customer or a -- a ratepayer

11 who has excess power that they want to sell -- that

12 the customer wants to sell back to Hydro. Now, I

13 understand there are some customers doing that, or am

14 I -- am I correct in that?

15 MR. GREG BARNLUND: Yes, we have a

16 small number of customers that are under what we refer

17 to as a net metering arrangement, where the power

18 flows both ways through the customer's meter.

19 BOARD MEMBER GOSSELIN: So for those

20 customers, they would be getting revenue in the form

21 of -- of rate. And that rate would be based on what?

22 MR. GREG BARNLUND: Right. So our

23 policy is that they would be -- and these are

24 generally small residential or small commercial-sized

25 customers. And so our non-utility generation policy

1 and our net metering policy will pay them for that
2 energy at the PUB-approved energy rate for the
3 residential class.
4 So if they're a residential customer,
5 they're consuming energy off the system at seven point
6 eight (7.8) cents per kilowatt hour. When the return
7 energy on -- back to the system, they would be
8 credited seven point eight (7.8) cents per kilowatt
9 hour.
10 BOARD MEMBER GOSSELIN: So in that
11 kind of a scenario, I'm trying to think of the costs.
12 You know, the -- there are the portion of costs
13 attributed to providing the infrastructure for that
14 service that you're buying from that customer, are --
15 are they not -- they're not picking up any of those
16 costs, are they, for that portion that they sell into
17 the system?
18 MR. GREG BARNLUND: No. And bear in
19 mind, we have a very small number of customers.
20 There's less than probably a couple dozen customers
21 that are availing themselves of this at -- at this
22 point in time. And so we don't have any other kind of
23 rate design for them, and -- and so they're
24 responsible for the costs of installing their own
25 solar panel, of course.

1 And then if they can have some offset
2 to their bill from the consumption -- or from the
3 energy they put back onto the system, they're given a
4 credit.
5 BOARD MEMBER GOSSELIN: So say
6 somebody was to develop a solar system, a fairly large
7 one, and wanted to sell power to Manitoba Hydro.
8 MR. GREG BARNLUND: Right.
9 BOARD MEMBER GOSSELIN: Just in that
10 context, they -- they would be -- you would have to
11 develop a rate design to address that, I guess?
12 MR. GREG BARNLUND: I'm sorry, I
13 didn't catch that?
14 BOARD MEMBER GOSSELIN: So you -- and
15 -- and say, for example, a large -- a large solar
16 supplier was to decide, We're going to set up some
17 solar panels in Manitoba and sell power to Manitoba
18 Hydro.
19 MR. GREG BARNLUND: Right.
20 BOARD MEMBER GOSSELIN: In that case,
21 they would be using infrastructure that's been paid
22 for by other ratepayers. Would there be a cost
23 assigned to the use of those services in selling power
24 to Manitoba Hydro?
25 MR. GREG BARNLUND: Somebody -- or a

1 company that size, we would deal with them as a non-
2 utility generator that would be approaching the
3 system. And we would essentially negotiate a power
4 purchase contract with them. And -- and conceivably,
5 those are the considerations that are -- that are
6 taken into account when the terms of that arrangement
7 are described.
8 BOARD MEMBER GOSSELIN: Now, taking
9 that one (1) step further. You know, we -- we -- if
10 we're basically saying that, you know, we -- we expect
11 you to pay the DSM costs as a user of -- of DSM, of
12 the DSM -- DSM program, and yet those -- they generate
13 savings to the system which are used to sell into
14 export markets, generating revenue, and we -- yet
15 we're saying -- we're saying to the same customer
16 selling into the system, you know, We're going to pay
17 you for that, but we're not paying the DSM user who
18 generates savings for Manitoba Hydro. We're not
19 paying that party anything.
20 So I'm -- I'm trying to understand the
21 -- the reasoning. What's the difference between I
22 supplying energy savings to Hydro versus I supplying
23 actual power to -- to Manitoba Hydro.
24
25 (BRIEF PAUSE)

1 MR. MICHAEL O'SHEASY: We -- we're
2 participating in net energy metering tariffs all over
3 the country. And one (1) of the big problems we do
4 have is when a -- a net metering customer, like a
5 solar PV, puts power back onto the system, we do,
6 indeed -- many of the states have this net interme --
7 ener -- energy metering policy in effect.
8 So we pay them the full avoi -- the
9 full standard rate. But unfortunately not all those
10 costs are avoided. In fact, a lot of them aren't. So
11 they're basically being overpaid for electricity that
12 they put back on the system, so that creates a cross-
13 subsidy. So in many states we're trying to correct
14 that.
15 Now, in regard to DSM it's -- it's
16 quite different. DSM is -- is actually not putting
17 electrons back onto the system. What it's doing, it's
18 avoiding the kilowatt hours. And whether that frees
19 up capacity and -- which is then sold to exports
20 that's a benefit. But it's not necessarily cause and
21 effect.
22 For example, if you did not have export
23 sales at all you'd still want to do DSM. You would
24 still want to have an efficient system that encouraged
25 your customers to use electricity wisely. But in our

1 minds there's a big difference in a self-generator
2 putting kilowatt hours back onto the system, and also
3 compensating them properly, and then encouraging a
4 customer through DSM not to use electricity.
5 MR. ROBERT CAMFIELD: To just amplify
6 on Michael's articulate response, you can see the
7 obvious thing here. Because in the case of net
8 metering the solar panels that Greg had talked about,
9 Manitoba Hydro then is -- is going to have reduced
10 revenues. They're going to forego some revenues. And
11 the incremental value of the solar energy that's been
12 put back onto the system could be way different than
13 the revenue impacts. So that's the sort of subsidy
14 that's implicit in that unless you handle it
15 appropriately with policy.
16 THE FACILITATOR: Thank you. If there
17 is nothing more, then thank you all for indulging me
18 and each other. And we'll look forward to the June
19 workshops. Thanks.
20
21 --- Upon adjourning at 4:27 p.m.
22
23
24
25

1 Certified correct,

2

3

4

5 _____

6 Sean Coleman, Mr.

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25