

Kelly Derksen, BSc., CPA, CMA

Principal – Kelly Derksen Consulting

STRATEGIC & INNOVATIVE REGULATORY SOLUTIONS FOR THE EVOLVING CHALLENGES OF REGULATED ENTERPRISES

QUALIFICATIONS & EXPERTISE

- Regulation Strategy & Execution
- Regulation Process Management
- Ratemaking Specialist
- Quality & Process Improvement
- Experienced & Respected Witness
- Leadership Excellence

CAREER HIGHLIGHTS

- 25 years of Rates & Regulation experience in the utility industry
- A recognized authority on Cost of Service and Rate Design
- An experienced, credible, respected witness having testified in public hearings for 15 years
- Led, developed, and assisted in dozens of regulatory proceedings
- Committed to mentoring and sharing knowledge through collaborative style and routinely conducting training with the Canadian Gas Association

PRIOR EXPERIENCE

- Manitoba Hydro & Centra Gas 1999-2017
- Centra Gas (Westcoast Energy) 1994-1999

EDUCATION

- Chartered Professional Accountant (CMA) 2004
- BSc., (Chemistry & Mathematics) University of Manitoba 1995

PROFILE

Kelly is the principal of the consulting practice she established in 2018 leveraging from nearly 25-years of experience in both a privately-owned natural gas utility and one of Canada's largest publicly-owned, vertically integrated electric and natural gas utilities. She specializes in regulation and ratemaking, with an emphasis on cost of service, and rate design.

Regulation Strategy & Process Management Specialist- Using nearly 25 years of experience-backed judgement and insight, Kelly provides strategic and tactical advice and solutions to complex ratemaking and regulation challenges that balance the public interest with corporate strategic goals and which align with governing legislation and regulatory framework.

Kelly has successfully managed many interim, ex-parte, written, traditional, and unconventional regulatory processes. With the many challenges and nuances associated with achieving success in the regulatory arena, Kelly is a champion of evaluating lessons learned to achieve future success. Including key stakeholders in this evaluation is critical to building solid relationships, and to move forward client goals more efficiently and effectively.

Ratemaking Specialist- Kelly has led, developed and executed many cost of service and rate design studies and methodological reviews. This includes extensive experience developing evidence and providing principled persuasive testimony. Along with practical experience, and continuous monitoring of the evolving utility industry, she also has deep understanding of the academic-based writings of Bonbright and Kahn, as well as the more practical detailed ratemaking manuals such as NARUC. A deep understanding, genuine passion for ratemaking, over two decades of hands-on utility experience, uniquely enables Kelly to deliver solutions that are workable, understandable, and that are also academically sound.

Leadership and Communication Excellence- Demonstrated ability to lead large complex multi-disciplinary teams through a genuine collaborative style that engenders trust and commitment. She also commits to leadership excellence by "paying it forward" through training professionals across Canada. Kelly is known as a principled and collaborative leader with significant experience interacting with a variety of styles and experience levels, strength in translating complex subject matter into workable solutions, and genuine belief that the way one succeeds is by helping others be successful.

OVERVIEW OF RATEMAKING & REGULATION EXPERIENCE

- Promoted through progressively senior analytical and managerial positions in the general area of utility ratemaking and regulation at the privately-owned Centra Gas, and then Manitoba Hydro, a combined publicly-owned vertically integrated hydro-electric utility and disaggregated natural gas utility.
- Over two decades of hands-on experience in developing practical solutions to complex problems that comport with best practice categorized broadly as:
 1. Regulation Strategy and Process Management
 2. Ratemaking
 3. Leadership and Communication

Regulation Strategy and Process Management

- Provided strategic and tactical advice and solutions to Executive Management for the past 15 years on ratemaking and regulatory policy consistent with the strategic goals of the organization and within the context of the governing legislation and regulatory framework.
- Led, developed, and assisted in dozens of rate cases (and other regulatory processes) interfacing with external agencies and the many internal disciplines necessary to support the process. Provided advice and reports to Executive Management regarding appropriate regulatory strategies and developed a common theme and orderly plan with careful execution to achieve strategic, financial and operational deliverables.
- Provided advice to Executive Management regarding the interpretation of regulator decisions and compliance.
- Successfully led numerous traditional, unconventional, interim and ex-parte regulatory processes. This included numerous stakeholder engagement sessions, demonstrating commitment to seeking solutions to best balance multiple conflicting interests, building trust and strengthening relationships.
- With the many challenges and nuances associated with achieving success in the regulatory arena, a champion of evaluating lessons learned for the achievement of successful future outcomes; including key stakeholders in this evaluation is critical to building solid relationships, and to move forward goals more efficiently and effectively.

Ratemaking

- A deep understanding of utility ratemaking including extensive hands-on experience having developed, led, and executed dozens of studies and several cost of service and rate design methodological reviews, through continuous monitoring of the evolving utility industry, a solid understanding of the economics behind investment decisions, the physical workings of the system, a strong understanding of the legislative framework and regulatory construct by which a utility operates, and the academic-based writings of Bonbright and Kahn as well as more practical detailed ratemaking guidance provided by NARUC.
- An experienced and respected witness having represented the Corporation as a subject matter witness before the MPUB for 15 years. Provided testimony on revenue requirements, rate base, cost of service, rate design, treatment of deferral and variance accounts, expansion financial feasibility tests, terms and conditions of service, regulatory approvals and procedural matters.
- Driving force and key witness behind the 2016 electric Cost of Service Methodology Review before the MPUB to review the methodology underpinning the allocation of a \$2 billion revenue requirement, \$500 million of export revenue, and a \$20 billion rate base among over 570,000 customers.

- Developed the 2016 electric Cost of Service Methodology Review case strategy and evidence, hundreds of information requests, led several stakeholder engagement sessions, evaluated Intervenor Expert positions, rebuttal evidence, testimony, and final arguments available on the MPUB’s website: www.pubmanitoba.ca.
- Developed evidence to support several key issues such as: an overall methodology that reasonably balanced the corporation’s financial goals and the public interest given significant external energy market changes subsequent to 2008 (advent of shale gas, plunge in electric and natural gas prices) coupled with significant investment in new hydraulic infrastructure/aging infrastructure; a cohesive overall methodology associated with a largely interconnected hydro-electric utility; the influence of economics (marginal cost to service) on embedded cost to serve; and the interrelation between revenue requirement, cost of service, and rate design and potential unintended consequences (impacts to low income customers, or protecting the utility’s ability to collect its approved revenue requirement).
- Recognized publicly for capabilities having developed an expert level knowledge of electric cost of service over a short timeframe to support a complex regulator review and delivering testimony.
- Led and developed numerous cost allocation and rate design models to analyze the impacts and sensitivities of scenarios.
- Conducted training on rates, cost analysis, methodology, economic feasibility (service extension).

Leadership and Communication

- Extensively interacted with a variety of styles and experience levels having led large multi-disciplinary teams with dozens of professionals and routinely presenting to Executive Management, Board of Directors, Retail Customers, Stakeholders and the Regulator.
- Successfully advanced many regulatory applications and related hearing processes, at times concurrently, accomplished through building cross-departmental co-operation, periodically with disparate in-house teams, with a genuine interpersonal style that engenders trust and commitment. For example, over a 12-month period beginning in the fall of 2006, led and developed 4 major applications including a Cost of Gas Application, a 4-Party Trench Application; a General Rate Application; and a generic competition-related application.
- Managed and mentored a team of professional accountants. By creating a collaborative atmosphere, and encouraging measured autonomy proudly developed a well-respected flexible team with strong expertise.
- Developed productive relationships with regulator staff and advisors, key stakeholders and interest groups.
- Routinely presents at regulatory workshops and industry conferences, to strengthen skills and importantly to share knowledge and experience with others.
- Strength in translating complex ratemaking subject matter, into practical, clear solutions based on traditional and contemporary best practice and the related strategy and evidence development of a regulatory case.

PROFESSIONAL EXPERIENCE

Consultant	2018 - Present
Manitoba Hydro - Manager, Cost of Service & Rates	2009 - 2017
Manitoba Hydro - Manager, Gas Rates & Regulatory Affairs	2006 - 2009
Manitoba Hydro - Senior Analyst, Gas Rates	2002 - 2006
Manitoba Hydro- Analyst, Gas Rates	1999 - 2002
Centra Gas - Analyst, Regulatory Affairs	1998 - 1999
Centra Gas - Coordinator, Regulatory Affairs	1995 - 1998

A SELECTION OF RELEVANT PROJECT EXPERIENCE:

- Reviewed zone of reasonableness policy and developed the related strategy and evidence;
- Addressed the treatment of International Financial Reporting Standards (IFRS) within cost of service;
- Treatment of large hydraulic generation cost measurement within embedded cost to serve;
- Treatment of significant export revenue priced the margin (at times 40% or more of total revenue requirement) within embedded cost to serve (effectively a matter of public policy)
- Treatment of demand side management cost within cost to serve;
- Economic development rates/energy intensive rates/low income rates;
- Uneconomic bi-pass (distributed solar PV); economic bi-pass;
- Costing assumptions in feasibility tests to address divergence between embedded and marginal cost to service and related service extension policy (including to support business expansion and growth opportunities);
- Allocation treatment of revenues and costs (and related rate base) associated with unique partnerships with First Nations developed to support new, multi-billion-dollar hydraulic generation;
- Wheeling tariffs—provided the underlying cost analysis and regulatory advice;
- Treatment and determination of variance accounts (cost trackers);
- Led Revenue Decoupling evidence and testimony during 2008 Centra GRA;
- Evaluated the appropriateness and level of Month Basic Charges, developed evidence and led testimony;
- Evaluated the appropriateness and level of Demand Charges, developed evidence and led testimony;
- Fixed rate alternatives (within and outside of regulated utility);
- Successfully developed a solution for and executed the disposal of \$100 million in gas costs (nearly 40% of total asset investment) accumulated during the natural gas market conditions in early 2001, and the accumulation of \$46 million in gas costs during the 2013/2014 record cold winter;
- Rate unbundling to support service unbundling flowing from natural gas market restructuring to facilitate competition;
- Analysis and research assessing a competition-related role of the utility in the provision of gas supply application;
- Successfully developed a treatment for costs incurred to facilitate competition; and
- Developed codes of conduct between regulated and unregulated utility affiliates.