



P.O. Box 815 • Winnipeg Manitoba Canada • R3C 2P4
Street Location for DELIVERY: 22nd floor - 360 Portage Avenue
Telephone / N° de téléphone : (204) 360-3946 • Fax / N° de télécopieur : (204) 360-6147
pjramage@hydro.mb.ca

July 18, 2013

Mr. H. Singh
The Public Utilities Board
400 - 330 Portage Avenue
WINNIPEG, Manitoba R3C 0C4

Dear Mr. Singh:

**RE: MANITOBA HYDRO NFAT
MKO PROPOSED BUDGETS**

Manitoba Hydro is in receipt of the submission and proposed budget from Manitoba Keewatinowik Okimakanak, Inc. (MKO) dated June 28, 2013.

PUB Order 67/13 approved two issues for review by MKO. The first was the socio-economic impact and benefits of Manitoba Hydro's Preferred Development Plan and alternatives in respect of the MKO First Nations. The second was the impact of domestic electricity rates over time with and without the Preferred Development Plan and with alternatives. This second issue is seen by the PUB to be identical to issues raised by other approved Intervenor and which MKO is required to work jointly with other Intervenor.

MKO indicates that it intends on utilizing the services of Desiderata Energy Consulting ("Desiderata") on a number of issues. The cost of the three proposed Desiderata consultants is approximately \$117,478. This amount is +/- 40% (a range of \$70,487 - \$164,468 dependent on whether and the extent to which expert evidence required). MKO has also indicated that they were approached by Pimicikamak with a request to form a coalition of intervenors and that MKO has agreed to develop a coalition.

Manitoba Hydro notes that under MKO's intervention, Pimicikamak is proposing on utilizing the services of four consultants for a total of \$221,450. In PUB Order 67/13, the PUB did not grant Pimicikamak intervenor status as the issues intended to be addressed by Pimicikamak were already being addressed through other approved Intervenor. Manitoba Hydro's understanding of PUB Order 67/13 is that the "coalition" formed would have approved Intervenor obtain input from Pimicikamak on the issues which the PUB identified as being in scope for Pimicikamak. It was not to have Pimicikamak form nor independently run its own intervention under the umbrella of an approved Intervenor. Manitoba Hydro will comment on the list of consultants proposed by Pimicikamak separately however, Manitoba Hydro objects to the coalition between MKO and Pimicikamak as the majority of issues proposed to be reviewed are either not within the two issues approved by the PUB or are duplicative of the issues being reviewed by other approved Intervenor.

The total preliminary budget being proposed by MKO (including the proposed consultants of Pimicikamak) is between \$453,937 and \$547,918. This budget is excessive as the PUB approved only two issues for review by MKO in Order 67/13 and Manitoba Hydro submits that there is no requirement for MKO to retain the services of all consultants listed in its submission. Manitoba Hydro offers its comments in respect of the consultants proposed.

Desiderata Energy – Dale Hildebrand

As indicated in MKO's submission, Mr. Dale Hildebrand has assisted MKO in the past in terms of reviewing Manitoba Hydro's rate application and is familiar to the parties. In terms of participation in the NFAT, Mr. Hildebrand is proposing to charge \$225/hour for his involvement in the NFAT and has provided a preliminary budget of \$47,255. Manitoba Hydro understands that under its tariff, the PUB has approved an hourly rate. If this understanding is correct, Manitoba Hydro would anticipate that Mr. Hildebrand's hourly rate will be reduced accordingly.

Desiderata has indicated that Ms. Erika Goddard will assist Mr. Hildebrand in the areas of electricity demand, supply and price forecasting and on its projections based on different economic inputs and commodity price assumptions at a rate of \$140/hour. It is not clear from the preliminary budget whether the costs of Ms. Goddard are included in or in addition to the total costs of Mr. Hildebrand and Manitoba Hydro would seek clarification in this regard.

Manitoba Hydro does not, on a preliminary basis, object to the inclusion of Mr. Hildebrand as a consultant for MKO.

Desiderata Energy – Nigel Chymko

Desiderata has also proposed utilizing the services of Mr. Nigel Chymko. Manitoba Hydro notes that Mr. Chymko is proposing to charge \$245/hour with an initial budget of \$40,304. As noted above and based on Manitoba Hydro's understanding, the hourly rate proposed by Mr. Chymko is higher than the PUB's approved rates for consultants. Desiderata's proposal and Mr. Chymko's CV appears to show that Mr. Chymko is a generalist with no specific expertise in the areas to be reviewed in the NFAT. Desiderata's proposal indicates that Mr. Chymko has an understanding of utility financials and economics and has prepared cost of service studies, rate designs, valuations of utility assets and generation projects and has developed financial planning models for electric, gas and water utilities. These matters are outside of the scope of the issues to be reviewed under the Terms of Reference. Manitoba Hydro questions the need for Mr. Chymko considering that Mr. Hildebrand will be assisting in the review of in-scope issues approved by the PUB for MKO.

Desiderata Energy – Michael Turner

Desiderata's proposal also indicates an intention to use the service of Mr. Michael Turner at a rate of \$190/hour for a total budget of \$29,925. Desiderata has indicated that it will also use the services of Ms. Ashley Van Damme in order to assist Mr. Turner, at a rate of \$125/hour. Similar to the comments regarding Ms. Goddard, it is not clear from the preliminary budget whether the

costs of Ms. Van Damme are included in or in addition to the total costs of Mr. Turner. Desiderata's proposal indicates that Mr. Turner provides "technical and financial analysis related to electric and natural gas markets." It appears that the issues to be reviewed by Mr. Turner are issues which are already being reviewed by two Intervenor who were granted standing to speak to this issue, namely CAC (MB) and GAC. Further, review of this issue is beyond the MKO approved list of issues provided for in Order 67/13.

Legal Counsel

MKO has advised that they are currently engaged in discussions with a short list of prospective legal counsel. Manitoba Hydro notes that the preliminary budget allocates 900 hours for legal counsel at a rate of \$210/hour for a total preliminary cost of \$189,000. Manitoba Hydro notes that this estimate is higher than the estimate being proposed by legal counsel for both MIPUG and GAC. Manitoba Hydro believes the preliminary budget set by MKO for legal counsel may be excessive given the timeline and scope for the NFAT and indicative of the review of topics which are out of scope as discussed above. However, Manitoba Hydro cannot provide detailed comments without knowledge of who will be retained by MKO as legal counsel and details as to their anticipated involvement. Manitoba Hydro would request that MKO advise as to who has been retained as legal counsel as soon as possible and that an updated preliminary budget be provided by legal counsel in order for Manitoba Hydro to provide more substantive comments.

Pimicikamak – Whelan Enns Associates Inc.

Pimicikamak has requested utilizing the services of Gaile Whelan Enns and associates from Whelan Enns Associates Inc. Ms. Enns has an estimated budget based on 100 days work, 8 hours per day, at a rate of \$100/hour for a total of \$80,000. A general description of miscellaneous disbursements is provided which include taxi, parking, printing, phone, and office supplies is listed, however, there are no estimates provided.

It appears that Ms. Enns is being retained as a general consultant to provide advice and support to Pimicikamak during the NFAT. Manitoba Hydro notes that no CV has been provided for Ms. Enns. Manitoba Hydro is not in a position to comment on Ms. Enns expertise in the range of items listed under her scope of services. Manitoba Hydro notes however that the PUB has not previously funded general items such as "technical support and research for expert witnesses" except where the individual is in the employ of and working under the direction of the expert. Manitoba Hydro further notes that the scope of Ms. Enns involvement is significantly larger than the issues approved for review by MKO and is simply a list of certain topics outlined in the Terms of Reference as opposed to a work plan. The issues listed are duplicative of issues identified and approved for review by other Intervenor and there is no information provided on how any proposed work would be undertaken by Ms. Enns. As Pimicikamak is not an approved Intervenor, Manitoba Hydro would submit that there would be no requirement to retain the services of Ms. Enns for general consultation purposes as the topics listed will be more than adequately reviewed by approved Intervenor within the scope provided for by the Terms of Reference. In Manitoba Hydro's view, Order 67/13 permitted Pimicikamak to propose consultants to deal with specific in-scope issues and not a general advisory consultant. Manitoba Hydro suggests that if specific issues need to be addressed or clarified, MKO legal counsel can

address these issues by means of examination of witnesses presented by Manitoba Hydro and other approved Intervenor.

Pimicikamak – Synapse Energy Economic, Inc.

Mr. Bruce Edwards Biewald of Synapse Energy Economics is being proposed to deal with the issues of the MISO energy market into which Manitoba Hydro exports electricity. Mr. Biewald is proposing to charge \$200/hour for 200 hours of work for a total of \$40,000. Mr. Biewald is estimating disbursements to be \$5,590.

Contrary to the statement that no other intervenor was granted approval to review this issue, the PUB did grant standing to CAC (MB) and GAC to speak to this issue in Order 67/13. Further, the PUB did not include this on the approved list of issues to be reviewed by MKO. Manitoba Hydro believes that this topic will be more than adequately reviewed within the scope provided for by the Terms of Reference by the two intervenors granted standing and that there is no need to retain this witness in this area.

Pimicikamak – DPI Territorial

Pimicikamak has requested utilizing the services of DPI Territorial, represented by Mr. David Flanders. In its submission, Pimicikamak has indicated that “DPI will review water flow data regarding water flows into the hydro system which Keeyask and Conawapa generation stations would use. DPI will provide analysis on a historical basis, to current time, and into the future about water resources available to Manitoba Hydro for the development plan.” Mr. Flanders is proposing a rate of \$100/hour for 50 days with an estimate of 8 hours a day, for a total budget of \$40,000. Mr. Flanders has also estimated approximately \$3,900 in disbursements.

Manitoba Hydro notes that the Peguis First Nation is utilizing the services of Mr. Flanders in the CEC environmental hearing associated with the review of the Keeyask Generating Station. The scope description provided for in MKO’s submission is similar to the description provided by Mr. Flanders to the CEC. Specifically, Mr. Flanders description for the CEC includes assessing the past, present and future of river / hydro electric development and water extents and changes that have occurred to the river system, including utilizing 3D models. The PUB has also indicated that there should be no duplication of issues to be reviewed between the NFAT proceedings and the CEC proceedings. Manitoba Hydro believes that the issues to be reviewed by Mr. Flanders are outside the scope of the Terms of Reference and will be canvassed by the CEC in their environmental review. Manitoba Hydro would therefore submit that Mr. Flanders participation is not required.

Pimicikamak – Darwin Paupanakis

Pimicikamak is proposing to utilize the services of Mr. Darwin Paupanakis for the purposes of evaluating the socio-economic costs and benefits of the Preferred Development Plan and alternatives in respect of the MKO First Nations and northern communities. Mr. Paupanakis is proposing a rate of \$100/hour for 50 days with an estimate of 8 hours a day, for a total budget of \$40,000. In addition, Mr. Paupanakis has estimated approximately \$11,800 in disbursements,

most of which are related to 8 weeks of accommodations and meals in Winnipeg. Manitoba Hydro has dealt with Mr. Paupanakis in the past in the context of Northern Flood Agreement matters. Manitoba Hydro notes that no CV for Mr. Paupanakis has been provided and it is not clear what involvement Mr. Paupanakis would have in the current process. Manitoba Hydro would require more detail as to Mr. Paupanakis involvement in order to provide substantive comments regarding his possible participation in the NFAT. Nevertheless, Manitoba Hydro views the disbursements proposed by Mr. Paupanakis to be excessive. Manitoba Hydro would expect that if Mr. Paupanakis is permitted to testify, such testimony would be required for less than a day with relatively modest preparation time.

Yours truly,

MANITOBA HYDRO LAW DEPARTMENT

Per:

A handwritten signature in black ink, appearing to read 'P. Ramage', is written over a horizontal line.

PATRICIA J. RAMAGE

Barrister and Solicitor

cc: Michael Anderson, MKO