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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA HYDRO'S
2010 UPDATE OF DIESEL ZONES COSTS & RATES

Before Board Panel:

- Graham Lane - Board Chairman
- Robert Mayer, Q.C. - Board Member
- Kathi Avery Kinev - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
November 16th, 2009

APPEARANCES

1
2 Bob Peters) Board Counsel
3
4 Patti Ramage) Manitoba Hydro
5
6 Myfanwy Bowman) CAC/MSOS
7
8 Marlaine Anderson-Lindsay) INAC
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10 Michael Anderson) MKO
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1 --- Upon commencing at 8:52 a.m.

2

3 THE CHAIRPERSON: Okay. Good morning
4 everyone. My apologies. I'm so well trained at this
5 point, I just start at nine o'clock.

6 Anyway, this Board has called this one (1)
7 day hearing to consider the appropriateness of possible
8 revision -- or possible revisions to current rates
9 charged by Manitoba Hydro to consumers in the four (4)
10 communities served by diesel-generated electricity. The
11 four (4) communities that comprise the diesel zone are
12 Barren Lands First Nation, also referred to as Brochet,
13 Northlands Dene First Nation, also referred to as Lac
14 Brochet, Sayisi First Nations, also referred to as
15 Tadoule Lake, and Shamattawa First Nation, also referred
16 to as Shamattawa.

17 For those new faces in the hearing room,
18 and for the record, my name is Graham Lane, Chairman of
19 the Public Utilities Board. I'm joined on this panel by
20 the Board's Vice Chair, Mr. Bob Mayer, Q.C., and also by
21 Dr. Kathi Avery Kinew.

22 You will see from the book of documents
23 put together by Board counsel that the members of this
24 panel have sat together and adjudicated the issues
25 involving the diesel zone since 2004. While Order 17/'04

1 predated my time on the Board, both Mr. Mayer and Dr.
2 Kinev were on that panel.

3 I mention the panel's collective history
4 together to provide parties with the sense that this
5 panel does not need to dwell on the historical aspects.
6 Rather, we would like the parties to bring the Board
7 current as to Manitoba's Hydro's financial state of
8 affairs with respect to the diesel zone and to assist us
9 in assessing the appropriateness of current rates and
10 whether current rates should be revised.

11 The Board is also mindful that its last
12 four (4) orders, specifically related to the diesel zone
13 are interim orders, and the last two (2) such orders were
14 made on an interim ex parte basis, primarily due to
15 details regarding the tentative settlement agreement
16 being subject to a confidentiality agreement.

17 While the materials filed by Manitoba
18 Hydro indicate the settle agreement remains unsigned, it
19 is the Board's understanding that all of the parties to
20 the agreement have conducted themselves as if the
21 agreement were in place -- was in place and in accordance
22 with the minutes of the settlement. Therefore, the Board
23 is pleased that CAC/MSOS, INAC, and the four (4) diesel
24 communities have been invited to attend today. The Board
25 looks forward to your assistance.

1 As only today has been set for the hearing
2 of any evidence and any submissions, I will turn to board
3 counsel to provide us with the procedures for today.

4 Mr. Peters...?

5 MR. BOB PETERS: Yes, thank you and good
6 morning Mr. Chairman, Mr. Vice Chair, Dr. Kinew, ladies
7 and gentlemen. For the record, my name is Bob Peters and
8 I am counsel to the Board in its review of the current
9 diesel rates, and the Board's consideration as to whether
10 any revisions to those rates are required.

11 In the Board's letter of October 20th,
12 2009, the Board has provided an opportunity for any party
13 to ask questions this morning of Manitoba Hydro's
14 witnesses and also an opportunity for any party to make
15 submissions this afternoon. With that in mind, I've
16 prepared an outline of procedures that I propose the
17 Board follow today. I've taken the liberty of
18 circulating that to parties prior to today.

19 If we turn to the outline of procedures,
20 Mr. Chairman and Board members, you'll see that in terms
21 of opening comments following mine, I will suggest you
22 turn to the Intervenors.

23 And CAC/MSOS is represented today by Ms.
24 Bowman and Ms. Craft.

25 Following CAC/MSOS, I would suggest

1 turning to counsel for Indian and Northern Affairs
2 Canada, or INAC, as they will be referred to often in
3 these proceedings, Ms. Anderson-Lindsay. Ms. Anderson-
4 Lindsay is assisted today by an articling student from
5 her office, Ms. Larissa Benham. Welcome them both here.

6 And the third Intervenor, certainly
7 alphabetically in any event, Manitoba Keewatinook Ininew
8 Okimowin, and I believe it's now known as MKIO, would be
9 the acronym; if we could use that for that Intervenor.
10 And MKIO is represented by Mr. Anderson, who's in
11 attendance today, and MKIO is representing the four (4)
12 diesel communities.

13 Manitoba Hydro's counsel, Ms. Ramage, is
14 known to the Board and also present today.

15 In terms of a witness panel, the Board
16 will see before them Messrs. Warden and Wiens, to answer
17 questions. I suggest that there be direct examination,
18 if any, from Ms. Ramage, followed by cross-examination,
19 and I'm prepared to go first with that, followed by
20 CAC/MSOS, INAC, and then MKIO.

21 We hope to finish the evidence and we're
22 planning to finish the questions this morning, Mr.
23 Chairman, and if the Board is receptive, I suggest we
24 return the lunchbreak by 1:00 o'clock. I would have a
25 five (5) minute submission myself, recognizing I'll take

1 no merits on any of the issues that arise.

2 But following my submission, I'd like to
3 provide an opportunity for INAC's counsel to provide
4 their submissions. And I make that suggestion because
5 the -- the hearing date is in conflict with a -- with a
6 pressing commitment that INAC counsel has, and I think we
7 can attend to both if we -- if we start at 1:00 o'clock
8 this afternoon. That will allow INAC counsel an
9 opportunity to make -- make the other appointment, as
10 well.

11 In terms of exhibits for today, I
12 mentioned the PUB's letter of October 20th, 2009, which I
13 will suggest be marked at PUB Exhibit 1.

14

15 --- EXHIBIT NO. PUB-1: PUB's letter of October 20th,
16 2009

17

18 MR. BOB PETERS: Manitoba Hydro has
19 provided a letter of November the 9th, and in that letter
20 there have been three (3) attachments. There is the 2010
21 update, diesel zone costs, and rates, which is I suggest
22 will be marked as Manitoba Hydro Exhibit 1.

23

24 --- EXHIBIT NO. MH-1: A letter of November the 9th,
25 with three attachments: 2010

1 update, diesel zone, costs,
2 and rates
3

4 MR. BOB PETERS: There is the prospective
5 diesel cost of service study for '09, which I suggest
6 will be marked as Manitoba Hydro Exhibit 2.
7

8 --- EXHIBIT NO. MH-2: Prospective diesel cost of
9 service study for '09
10

11 MR. BOB PETERS: And Appendix 8 of
12 Manitoba Hydro's update to the Board on the status of
13 Order 116 of '08 and 11 -- 150 of '08, be marked as
14 Manitoba Hydro Exhibit number 3.
15

16 --- EXHIBIT NO. MH-3: Update to the Board on the
17 status of Order 116 of '08
18 and 150 of '08
19

20 MR. BOB PETERS: I can indicate, Mr.
21 Chairman, all three (3) of those exhibits are in PUB's
22 counsel -- PUB counsel's book of documents, and we'll get
23 to them, probably briefly, but we'll get to them. And I
24 would suggest that PUB counsel's book of documents be
25 marked as PUB Exhibit 2, and it will contain, as I say,

1 those Manitoba Hydro exhibits.

2

3 --- EXHIBIT NO. PUB-2: PUB counsel's book of
4 documents

5

6 MR. BOB PETERS: The last exhibit number
7 I would reserve is -- is Manitoba Hydro Exhibit 4, and we
8 would reserve that for an affidavit of publication, which
9 if not filed today can follow in due course.

10 So, Mr. Chairman, subject to any questions
11 you have of me, I'd suggest you call on the Intervenors
12 for introductions and any opening comments they may have,
13 after which it would be appropriate to call on Manitoba
14 Hydro counsel for her introductions, opening comments, if
15 any, and then the swearing of the witnesses before the
16 direct examination and their cross-examinations. Thank
17 you.

18 THE CHAIRPERSON: Thank you, Mr. Peters.
19 Ms. Bowman for CAC/MSOS.

20

21 OPENING COMMENTS BY CAC/MSOS:

22 MS. MYFANWY BOWMAN: Thank you, Mr.
23 Chairman, Mr. Vice Chair, and Board member Kinew. I'm
24 here this morning on behalf of CAC/MSOS, and with me is
25 Aimee Craft from my office. We're expecting Ms. Desorcy,

1 on behalf of CAC shortly, so I will not stop proceedings
2 when she arrives, but hopefully you'll -- she will
3 appear.

4 CAC/MSOS are very pleased to be here once
5 again. This is the public we've had on diesel rates in -
6 - in several years. They're excited about the
7 opportunity to review what's going on with the diesel
8 communities and diesel rates. And they're here on behalf
9 on residential customer, both those customers in the
10 community and the grid customers who are, of course,
11 involved as well.

12 My clients certainly have some concerns
13 about the brevity of the process, and we're not
14 necessarily confident that we're going to be able to
15 cover off all the information we're going to need to make
16 a useful recommendation at the end of the day. But we're
17 gonna do our best, and hopefully offer, at the very
18 least, some -- some advice in terms of priorities and
19 things that the Board should be thinking about in the
20 next while, and -- and where perhaps we might need to go
21 in the future. Thank you.

22 THE CHAIRPERSON: Thank you very much.
23 For INAC, Ms. Anderson-Lindsay.

24

25 OPENING COMMENTS BY INAC:

1 MS. MARLAINE ANDERSON-LINDSAY: Good
2 morning, Board members. Marlaine Anderson-Lindsay, with
3 the Department of Justice Canada, appearing on behalf of
4 Indian and Northern Affairs this morning. Of course, as
5 this Board would know, INAC was an Intervenor in the
6 original hearing in January of 2004. I've replaced Mr.
7 Randy Smith, who had conduct over the file at that time.
8 And, of course, with me today is Larissa Benham from our
9 office, to assist.

10 Once again, we are appearing for a limited
11 purposes, primarily to pose questions to clarify
12 submission made by Hydro which relate to Indian and
13 Northern Affairs. And as one (1) of the three (3)
14 parties to the draft settlement agreement to provide our
15 perspective and a brief submission on the status of that
16 agreement. We hope that, that will be helpful to this
17 Board.

18 And as this Board has been made aware by
19 Mr. Peters, I will have to leave the Hearing, albeit
20 temporarily, and I appreciate the Board's permission on
21 that part; it is an appointment which was made some
22 months ago. And Ms. Benham will remain to take notes,
23 however she will not be available to pose any questions
24 or make any submissions.

25 I Thank you very much for the opportunity

1 to appear before you today, and we hope that we'll be of
2 assistance to you.

3 THE CHAIRPERSON: Thank you very much.

4 And for MKIO, Mr. Anderson...?

5

6 OPENING COMMENTS BY MKO:

7 MR. MICHAEL ANDERSON: Good morning, Mr.
8 Chair, Mr. Vice Chair, Dr. Avery Kinew. It's a pleasure,
9 once again, to be before the Board and to see our
10 colleagues here on this important matter to the MKO
11 diesel First Nations and to MKO itself.

12 It's been a long journey, as the Chair has
13 discussed. Hearings commencing in 2000 and arriving at
14 decisions in 2004. We have MKO's objectives, and those
15 are the diesel First Nations for affordable energy being
16 provided to residential and to general service customers.

17 One (1) matter I'd like to, of course,
18 again remind the Board, is that MKO's interests in this
19 matter also refers to the general service customers in
20 the diesel First Nations, of whom the First Nations
21 themselves are -- are included in the provision of
22 services to the arena, the Band office, and other
23 community facilities, as well as the water system, sewer,
24 the man -- waste water management systems, and so forth.
25 So, that places MKO in an interesting position of

1 representing both GS and residential customers in these
2 communities, general service and residential.

3 In terms of the matters before us, MKO
4 clearly understands that at that Boards interest in
5 Directive 26, arising from Order 116/'08. That is, and
6 as Mr. Peters pointed out, the financial matters related
7 to the provision of service in the diesel First Nations.

8 It's the view MKO and the diesel First
9 Nations though that matters raised, for example, in
10 Directive 18 of Order 116/'08, which addressed demand-
11 side management and the low income programs available in
12 these communities are of equal, if not greater,
13 importance.

14 We recognize that in the current filing,
15 again, in respon -- Hydro's response to the scope of the
16 Board's inquiry regarding Directive 26, it has confined
17 itself to responses dealing with Directive 20 -- 26, and
18 to financial matters. We do note, with interest though,
19 if we do a quick word search, that terms like DSM, low
20 income, conservation, and efficiency, don't appear at all
21 in the matters currently before the Board. But MKO would
22 like to make some ref -- reference to providing an
23 update, at least for continuity of the record, on the
24 matters that were raised by the Board, directed by the
25 Board in Directive 18 of 116/'08.

1 In addition to that, of course, the MKO
2 diesel First Nations have a -- a direct interest in the
3 status of the tentative settlement agreement that is
4 being considered between MKO, Manitoba Hydro, and Indian
5 and Northern Affairs Canada. And the outcome of that
6 settlement process is of great significance to us.

7 In ref -- reference to the parties
8 performing the terms of the tentative settlement
9 agreement, as if it were signed, we can, of course,
10 again, just place what is a matter of factual record,
11 that the capital monies, the last amount of those were
12 flowed in April of 2008. The Board was advised of that
13 at that time by Manitoba Hydro.

14 And so those, what I called the three (3)
15 wolverines in my closing submission in the diesel
16 proceeding, have all been banished back to the woods.
17 The unpaid surcharge billings have been paid, the
18 accumulated deficit has been retired by Manitoba Hydro
19 over two (2) successive fiscal years, and of course
20 that's a matter of record, at least in terms of the book
21 treatment of it, and the capital monies have now been
22 paid with interest to Manitoba Hydro.

23 So I'm happy to report that as we proceed
24 with further consideration of affordable energy services
25 and the availability of low income program and DSM

1 programs, generally, to the diesel customers, that these
2 large amounts looming -- that were previously looming
3 have all been addressed. So clearly we have a keen
4 interest now in any new amounts arising, in terms of
5 accumulated deficits in relation to revenues versus
6 costs, which places us back to the keen interest that MKO
7 has expressed throughout all of the previous proceedings
8 in the reasonableness of the costs that we're dealing
9 with.

10 So as we look at Hydro's filings on
11 Directive 26, the first thing that we consider are -- are
12 the costs reasonable? And related to costs in -- in the
13 highest cost to serve area served by Manitoba Hydro, of
14 course would be the capital additions that Hydro has
15 discussed and has placed before the Board in the matters
16 in its filing, are the costs related to direct
17 consumption by customers, issues related to the levels of
18 consumption, and the degree to which Manitoba Hydro is
19 attempting to contrains -- constrain costs by
20 constraining demand, through DSM low-income programs and
21 other alternate measures.

22 Recognizing that this is not a capital
23 proceeding and recognizing the limitations that the Board
24 has in inquiring into the specific capital expenditures
25 of the Corporation, it remains, however, that the diesel

1 service is perhaps the most closely affected by capital
2 expenditures, because it's essentially a captive service.
3 With the exception of some small, minor contributions,
4 relatively speaking, in comparison to the grid service,
5 against the cost of service in the diesel zone, all these
6 expenditures must be recovered and paid for by the
7 customers themselves.

8 So each time the -- Manitoba Hydro files a
9 per -- information on its finances and on increases in
10 its costs within the diesel service, it certainly grabs
11 the attention of the diesel First Nations in MKO, and the
12 first question that rises is reasonableness.

13 You note that in one (1) of the six (6)
14 principles, which I understand that Mr. Peters will
15 review in comments, that the Board extracted from the --
16 its understanding of the terms of the settlement in
17 159/'04, that one of those was to discuss with the diesel
18 First Nations, any further capital expenditures. And the
19 preambular comments that I've just made are addressed
20 directly to that, to determine the requirement and
21 reasonableness of the costs. We believe, however, that
22 goes also to the general runnings costs, the variable
23 costs, in relation to addressing consumption patterns in
24 the community.

25 So with all of those comments, Mr. Chair,

1 we are greatly interested in the proceedings today and
2 appreciate the opportunity to participate. Thank you.

3 THE CHAIRPERSON: Thank you, Mr.
4 Anderson.

5 Ms. Ramage, for Manitoba Hydro...?

6 MS. PATTI RAMAGE: Yes. Good morning,
7 Mr. Chair, Vice Chairman Mayer, and Dr. Avery Kinew. For
8 the record, my name is Patti Ramage and I appear as
9 counsel for Manitoba Hydro today. With me, who will be
10 witnesses from Manitoba Hydro, are two (2) faces that I
11 think are quite familiar to the Board, but for the
12 record, we have Vince Warden, who is Vice -- Senior Vice
13 President of Finance and Administration and Chief
14 Financial Officer of Manitoba Hydro, along with Robin
15 Wiens, who is Division Manager of Rates and Regulatory
16 Affairs.

17 I -- I should perhaps advise the Board, I
18 do have the affidavit that we can fill in, Exhibit
19 Manitoba Hydro 4. It's a -- an affidavit of service, not
20 an affidavit of publication, for clarification, just
21 indicating that Manitoba Hydro did serve by electronic
22 transmission, and the three (3) parties who appear today,
23 along with faxed transactions to the four (4) diesel
24 communities, of the materials that Manitoba Hydro filed
25 in response to the Board's letter of October 20th. Those

1 would be Exhibits 1, 2, and 3 in these proceedings. So I
2 can, perhaps, just in the interests of moving on, I'll
3 provide that to Mr. Gaudreau at the break.

4

5 --- EXHIBIT NO. MH-4: Affidavit of service

6

7 MS. PATTI RAMAGE: In terms of opening
8 comments, I don't have any, I'll leave that to Mr. Wiens.
9 I would, at the outset, just clarify that Manitoba Hydro
10 is not seeking any rate increases at this time for the
11 diesel communities, and in a moment Mr. Warden will el --
12 elaborate on Manitoba Hydro's reasons.

13 And I think maybe at this point it might
14 be appropriate to have the witnesses sworn so we could
15 hear from Mr. Warden.

16 THE CHAIRPERSON: Mr. Gaudreau...?

17

18 MANITOBA HYDRO PANEL:

19 VINCE WARDEN, Sworn

20 ROBIN WIENS, Sworn

21

22 THE CHAIRPERSON: Thank you, sir.

23 Ms. Ramage...?

24

25 EXAMINATION-IN-CHIEF BY MS. PATTI RAMAGE:

1 MS. PATTI RAMAGE: For the record, Mr.
2 Warden, could you just state your name and position at
3 Manitoba Hydro?

4 MR. VINCE WARDEN: Name is Vince Warden.
5 Position, Senior Vice President, Finance and
6 Administration Chief Financial Officer for Manitoba
7 Hydro.

8 MS. PATTI RAMAGE: And, Mr. Warden, just
9 quite simply, can you provide your comments with respect
10 to the -- the matters that are before the Board today,
11 the -- the diesel rates Manitoba Hydro applies in The
12 Diesel Communities in Manitoba.

13 MR. VINCE WARDEN: Yes, I just have a
14 very brief opening comment. First of all, good morning
15 Mr. Chairman, members of the Board and -- and ladies and
16 gentlemen.

17 Manitoba Hydro is here this morning at the
18 request of the Public Utilities Board to provide an
19 update of costs and revenues associated with serving
20 customers with electricity in the four (4) diesel served
21 communities of Shamattawa, Tadoule Lake, Brochet, and Lac
22 Brochet. Manitoba Hydro is not applying to the Public
23 Utilities Board for a change in rates within the four (4)
24 diesel served communities at this time.

25 However, prior to receiving the request to

1 appear before the Public Utilities Board today, it was
2 Manitoba Hydro's intention to review its position with
3 respect to diesel rates at the January 21st, 2010 meeting
4 of the Manitoba Hydro Electric Board. Depending on the
5 decision the Manitoba Hydro Electric Board, an
6 Application may have been filed or may still be filed
7 with the Public Utilities Board, following the January
8 21st meeting.

9 When dies -- when diesel rates were last
10 reviewed by the Manitoba Hydro Board in January 2009, the
11 Hydro Board was reluctant to impose any additional rate
12 increases on the diesel communities at that time and
13 directed management to attempt to engage the Government
14 of Canada in a dialogue on this issue. While there have
15 been some discussions with government, there has been
16 nothing substantive accomplished to date that will
17 alleviate the high impacts of high electric -- or the
18 impacts of high electricity costs in these communities,
19 in terms of operating costs.

20 In response to the PUB request to appear
21 today, the 2010 update was prepared somewhat hurriedly,
22 and, upon review, there are some changes that should be
23 made to the cost and revenue schedules submitted. Those
24 changes can be made now, or, alternatively, we can point
25 out the changes to the schedules as we proceed through

1 cross-examination.

2 Notwithstanding those changes, the fact
3 remains that there is a considerable gap between the cost
4 being incurred by Manitoba Hydro to provide electricity
5 to service -- electricity service to the diesel
6 communities and the revenues being collected through
7 rates in those communities. The question is whether or
8 not that gap between costs and revenues is fair and
9 reasonable under the circumstances. Thank you.

10 THE CHAIRPERSON: Thank you, Mr. Warden.

11

12 CONTINUED BY MS. PATTI RAMAGE:

13 MS. PATTI RAMAGE: Mr. Wiens, just for
14 the record, I'll have you state your name and your area
15 of responsibility with respect to the materials filed.

16 MR. ROBIN WIENS: Yes, my name is Robin
17 Wiens. I am the division manager, rates and regulatory
18 affairs, at Manitoba Hydro, and it was myself and persons
19 reporting to me that were responsible for the preparation
20 of the documents that were filed with the Public
21 Utilities Board and Intervenors today.

22 MS. PATTI RAMAGE: And that concludes
23 Manitoba Hydro's direct examination. We're open to
24 cross-examination.

25 THE CHAIRPERSON: Okay. Thank you, Mr.

1 Wiens, Ms. Ramage.

2 Mr. Peters, and we're not too far behind
3 now.

4

5 CROSS-EXAMINATION BY MR. BOB PETERS:

6 MR. BOB PETERS: Well, fifteen (15)
7 minutes, but who's counting?

8 Mr. Chairman, I want to start with this
9 panel and wish good morning to Mr. Warden and Mr. Wiens.
10 As is often the case, my questions seek the corporate
11 answer by Manitoba Hydro and, as such, my questions can
12 be answered by either of you, as you decide between you.

13 Is that acceptable and understood?

14 MR. ROBIN WIENS: Yes.

15 MR. BOB PETERS: In addition to that, Mr.
16 Chairman, I have four (4) areas that I want to cover with
17 these witnesses. I want to talk briefly about the
18 Tentative Settlement Agreement. I want to talk about the
19 financial update to 2010; thirdly. I want to talk about
20 rates and why no Rate Application, although Mr. Wiens --
21 or Mr. Warden has just mentioned some points. And
22 fourthly, I want to talk about options going forward and
23 some of the legislation.

24 So bearing in mind your comments, Mr.
25 Chairman, not to dwell on the past, but to take stock

1 where Manitoba Hydro is financially, it is correct is it
2 Mr. Warden and Mr. Wiens, that as the Chairman assumed in
3 his opening comments, that Manitoba Hydro has conducted
4 its business in The Diesel Zone in accordance with the
5 tentative and still unsigned Settlement Agreement?

6 MR. VINCE WARDEN: That's correct.

7 MR. BOB PETERS: That settlement
8 agreement was among Manitoba Hydro, INAC, MKO and the
9 four (4) diesel communities?

10 MR. VINCE WARDEN: Yes.

11 MR. BOB PETERS: I'll leave the questions
12 specifically on that perhaps to My Friend opposite, but
13 is it correct that that Agreement has not been signed
14 because there are two (2) issues as between INAC and MKIO
15 that still have to be resolved?

16 MR. VINCE WARDEN: That's our
17 understanding, yes.

18 MR. BOB PETERS: And would it also be
19 your understanding that those issues are hopefully coming
20 to a head by way of correspondence planned for late this
21 month?

22 MR. VINCE WARDEN: Yes.

23 MR. BOB PETERS: And are those two (2)
24 issues, issues that are -- they're confidential issues?

25 Would that be, first of all, correct,

1 they're subject to a confidentiality agreement?

2 MR. VINCE WARDEN: The agreement itself
3 is subject to a confidentiality agreement, and whether or
4 not those two (2) issues are -- are confidential, I'm not
5 100 percent certain of that, but the Agreement itself is
6 subject to that agreement.

7 MR. BOB PETERS: Would it be correct for
8 the Board to understand that those other two (2) issues,
9 from Manitoba Hydro's perspective, don't involve Manitoba
10 Hydro so you're not taking a position on those other two
11 (2) issues?

12 MR. VINCE WARDEN: That's correct.

13 MR. BOB PETERS: Would it also be correct
14 that those two (2) extant issues, to your understanding,
15 don't involve the jurisdiction of the Public Utilities
16 Board?

17 MR. VINCE WARDEN: I believe that to be
18 the case, yes.

19 MR. BOB PETERS: All right. In terms of
20 the settlement, if we turn to Tab 4 of the book of
21 documents that all parties have and turn to page 6, this
22 is an extract from Order 159 of '04 and page 6 at the
23 bottom sets out some -- some of the Board's understanding
24 as to tentative settlement agreement.

25 Would it be correct, Mr. Warden, that by

1 not refreshing diesel rates annually prior to 2004,
2 Manitoba Hydro was carrying a deficit of approximately 6
3 -- \$16.9 million?

4 MR. VINCE WARDEN: Yes.

5 MR. BOB PETERS: And in fact, Manitoba
6 Hydro wrote off 13 million of that \$16.9 million in
7 fiscal 2005.

8 Is that also your understanding?

9 MR. VINCE WARDEN: Do you have a
10 reference for that, Mr. Peters?

11 MR. BOB PETERS: Yes, Order 159/'04 which
12 is Tab 4, page 13, if -- see if I put that in here. I
13 see it's not in this book.

14

15 (BRIEF PAUSE)

16

17 THE CHAIRPERSON: Vice Chair is just
18 pointing out that Order 159/'04 reference Mr. Peters is
19 making is also on page 19 of that Order.

20

21 CONTINUED BY MR. BOB PETERS:

22 MR. BOB PETERS: Correct. Thank you for
23 that. I -- I didn't put the entire Order in, so it --
24 it's on page 13 and also page 19 of Board Order 159/'04.

25 Does that refresh your memory, Mr. Warden?

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(BRIEF PAUSE)

MR. VINCE WARDEN: Yes, thank you, Mr. Peters.

THE CHAIRPERSON: And just for the record, the paragraph reads 13.5 million rather than 13 million would be written off in fiscal 2005.

MR. VINCE WARDEN: Correct.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: And thirteen point five (13.5) is the correct number to your recollection, Mr. Warden?

MR. VINCE WARDEN: Yes.

MR. BOB PETERS: Do you agree with me, Mr. Wiens, Mr. Warden, that in essence that \$13.5 million loss was charged to grid customers?

MR. VINCE WARDEN: Yes. Any -- any deficits on operations in any given year would be charged to grid customers. We -- looking back on Order 159/'04 and the preamble to the 13.5 -- 13.5 million that you referenced, Mr. Peters, we had a bit of an unusual circumstance in that year, in that, we actually set this

1 up as an account receivable.

2 We have not been doing that since that
3 point in time, so the -- a write-off per se is not
4 required on an ongoing basis. Any difference between
5 costs and revenues -- revenues is taken into the income
6 of the respective year.

7 MR. BOB PETERS: What you're telling the
8 Board is that, on a go forward basis, you haven't set it
9 up as an account receivable on the books of Manitoba
10 Hydro?

11 MR. VINCE WARDEN: That's right. Yes.

12 MR. BOB PETERS: All right. But in terms
13 of what happened in the past, that \$16.9 million deficit,
14 13.5 of that was written off in one (1) fiscal year.

15 MR. VINCE WARDEN: That was the decision,
16 at that time. Yes.

17 MR. BOB PETERS: And in terms of that
18 16.9 million deficit, it was the intention of Manitoba
19 Hydro to ask this Board for permission to use a portion
20 of net export revenues to credit against the diesel
21 community?

22 MR. VINCE WARDEN: Yes. That was part of
23 the minutes of settlement, and that's what we would
24 ultimately be asking this Board for approval of.

25 MR. BOB PETERS: And we saw in your

1 Manitoba Hydro's Prospective Cost of Diesel Study for the
2 grid customers in 2008 that \$1.544 million was credited
3 from export revenues to the diesel community?

4 Does that sound approximately correct?

5 MR. VINCE WARDEN: It's -- it would be in
6 that order of magnitude, yes.

7 MR. BOB PETERS: I have an extract of it
8 if it's -- if it becomes an issue, but at this point
9 let's assume that's correct.

10 Can you tell the Board, Mr. Wiens, whether
11 there have been any other credits from net export revenue
12 to the diesel community to offset a portion of this \$16.9
13 million deficit?

14 MR. ROBIN WIENS: Mr. Peters, we have
15 been to the best of our ability, given the circumstances
16 of the Prospective Cost of Service Study, we have been
17 attempting to track the amounts that would be made
18 available or allocated to the diesel communities, and
19 there is some issue as to the methodology in the Cost of
20 Service Study that would be appropriate for that
21 tracking.

22 So, we do not have an definitive answer,
23 but we have attempted to track it to the best of our
24 ability.

25 MR. BOB PETERS: Does that suggest to the

1 Board, Mr. Wiens, that since 2005 and going onward there
2 has been at least a notional allocation of net export
3 credits to the diesel community to offset a portion of
4 the \$16.9 million deficit?

5 MR. ROBIN WIENS: Yes.

6 MR. BOB PETERS: As you sit here today,
7 you cannot tell the Board with any certainty what the
8 remaining amount of that deficit is, in light of what
9 amounts have been allocated to the diesel communities?

10 MR. ROBIN WIENS: Well, Mr. Peters, it --
11 it is really going to depend on what is ultimately
12 resolved in the case of the Cost of Service Study because
13 we have presented Costs of Service Studies over the years
14 using different methodologies, and the Public Utilities
15 Board has attempted to provide us with some guidance as
16 to how to proceed.

17 That guidance has not extended to what may
18 happen in the case of this allocation of -- of export
19 revenues to the diesel costs of service. Manitoba Hydro
20 has -- has looked at this issue and has looked at it
21 under a number of different costs of service scenarios,
22 and we have made estimates to the best of our ability as
23 to what the balance of that might be as of March 31st,
24 2009.

25 MR. BOB PETERS: What is that amount, Mr.

1 Wiens, do you know?

2 MR. ROBIN WIENS: The remaining
3 undepreciated amount using the methodology that Manitoba
4 Hydro proposes to bring to this Board for 2010, with its
5 Cost of Service Study, is approximately \$14.2 million.

6 MR. BOB PETERS: That's \$14.2 million
7 still owing on account of the \$16.9 million deficit?

8 MR. ROBIN WIENS: That's correct.

9 MR. BOB PETERS: And is -- are there
10 carrying costs being charged to that \$14.2 million?

11 MR. ROBIN WIENS: Yes, there are.

12 MR. BOB PETERS: After that \$14.2 million
13 is paid off, Mr. Wiens, it is the intention of Manitoba
14 Hydro to continue to credit diesel communities with a
15 portion of net export credit revenue, is that also the
16 case?

17

18 (BRIEF PAUSE)

19

20 MR. ROBIN WIENS: Mr. Peters, the
21 agreement provides that credit will begin no later than
22 the May -- or, pardon me, 2014, May the 1st, 2014.

23 MR. BOB PETERS: Okay. I'm not sure the
24 Board was aware of that but what you're telling the Board
25 is that on May 1st, 2014, credit from that export revenue

1 is to be given to the diesel community to reduce
2 operating costs and rates based on operating costs?

3 MR. VINCE WARDEN: Again, Mr. Peters,
4 this is subject to an agreement that has not yet been
5 signed, but the agreement is -- is such that the
6 objective was to amortize that 16.9 million over the ten
7 (10) year period and any balance remaining at the end of
8 that ten (10) year period would be written off at that
9 point in time.

10 The -- depending, as Mr. Wiens has
11 indicated, depending on how those export revenues are
12 allocated through the Costs of Service Study, that
13 allocate -- or that amortization can be either a lot
14 quicker or it can be extended but however -- whichever
15 methodology is used, the agreement specifies that it will
16 be totally -- considered to be totally written off at the
17 end of the -- that ten (10) year period, if not before.

18 MR. BOB PETERS: All right. Maybe a
19 small point for today's purposes, Mr. Wiens, but then
20 that export credit that is proposed to be given to the
21 diesel community is based on total costs, that's fixed,
22 plus variable costs, to serve the diesel community?

23 MR. ROBIN WIENS: Yes, it is.

24 MR. BOB PETERS: It's not based just on
25 the variable costs that are going to be recovered through

1 the rate structure?

2 MR. ROBIN WIENS: It is based on the
3 fixed costs as well as the variable costs.

4 MR. BOB PETERS: And that, again, is
5 pursuant to this agreement?

6 MR. ROBIN WIENS: That is pursuant to the
7 agreement.

8 THE CHAIRPERSON: Mr. Wiens, if I could,
9 just to -- if you wouldn't mind reminding the Board, what
10 is the rate of interest of the carrying costs that are
11 accruing to the balance?

12 MR. VINCE WARDEN: It's based on Manitoba
13 Hydro's imbedded costs of debt.

14 THE CHAIRPERSON: Okay, so it's the --
15 it's the average.

16 MR. VINCE WARDEN: It will vary from year
17 to year, depending on the costs of debt in that year.

18 THE CHAIRPERSON: What I'm saying,
19 though, it's not the short term rate --

20 MR. VINCE WARDEN: No.

21 THE CHAIRPERSON: Thank you.

22 MR. VINCE WARDEN: No.

23 THE CHAIRPERSON: And --

24 MR. VINCE WARDEN: It's the long-term
25 rate.

1 THE CHAIRPERSON: -- and it would include
2 the guarantee fee too?

3 MR. VINCE WARDEN: Yes.

4 THE CHAIRPERSON: Thank you.

5

6 CONTINUED BY MR. BOB PETERS:

7 MR. BOB PETERS: The second point, page 7
8 of Board Order 159/'04, found at Tab 4 of the book of
9 documents talks about a \$3.2 million unpaid surcharge,
10 that's now been paid in full, correct?

11 MR. VINCE WARDEN: Yes.

12 MR. BOB PETERS: But it also appears that
13 there was an additional \$1.5 million deficit that accrued
14 on account of unpaid or unbilled surcharges that Manitoba
15 Hydro is offering to write off.

16 Have I got that correct?

17

18 (BRIEF PAUSE)

19

20 MR. BOB PETERS: Yes, I'm sorry, I'm at
21 Tab 4 of the book of documents on page 7 and I'm looking
22 at the second paragraph on that page.

23 MR. VINCE WARDEN: You're correct, Mr.
24 Peters, there was an additional amount of 1.5 million
25 which we had agreed to -- to write off.

1 MR. BOB PETERS: And that \$1.5 million
2 arose as a result of Manitoba Hydro not charging the full
3 rate to 41st Nation's Government accounts?

4 MR. VINCE WARDEN: Yes.

5 MR. BOB PETERS: Has that been written
6 off?

7 MR. VINCE WARDEN: Yes.

8 MR. BOB PETERS: And how would that have
9 been recorded on the financial statements of Manitoba
10 Hydro?

11 MR. VINCE WARDEN: Well, as I indicated
12 earlier, Mr. Peters, the -- since the write-off of that
13 13.5 million that we had talked about earlier, any
14 expenses over and above revenues are written off in the
15 year incurred.

16 MR. BOB PETERS: Turning to Point Number
17 3, the undepreciated capital costs of \$28.8 million.
18 Would it be correct for the Board to understand, this
19 amount of money is really taking the capital costs of the
20 diesel infrastructure out of the rate -- set out of the
21 rate structure and rate consideration?

22 MR. ROBIN WIENS: Yes, the capital
23 amounts at -- as at March 31st, 2004.

24 MR. BOB PETERS: And 69 percent of that
25 \$28.8 million, Mr. Wiens, was to be paid, and has been

1 paid by INAC, MKIO, or the four (4) communities, or a
2 combination of them?

3 MR. ROBIN WIENS: Correct.

4 MR. BOB PETERS: If -- if that's the
5 case, turning to Tab 9 briefly, of the book of documents,
6 and looking at the -- at the last page in Tab 9, it's
7 page 22 of the perspective Diesel Cost of Service Study
8 for 2009. If I look at that chart, Schedule 12, it seems
9 to be recording that INAC diesel contributions of 18.9 --
10 sorry, \$19.9 million, there's still a balance
11 outstanding.

12 Is that accurate?

13 MR. ROBIN WIENS: That's not accurate.

14 MR. BOB PETERS: All right. It's been
15 paid in full?

16 MR. ROBIN WIENS: It has.

17 MR. BOB PETERS: And then, 2 -- 10
18 percent of that undepreciated capital costs was going to
19 be funded by other government customers, and those would
20 have included -- still on Schedule 12, at Tab 9, of the
21 book of documents, Environment Canada, Health Canada,
22 RCMP, Frontier School Division, Brochet Community
23 Council, they've paid the other 10 percent?

24 MR. ROBIN WIENS: They have.

25 MR. BOB PETERS: There are -- are there

1 any non-participating government customers at this point,
2 Mr. Wiens?

3 MR. ROBIN WIENS: No.

4 MR. BOB PETERS: There was one (1)
5 initially, and that has now been paid in full?

6 MR. ROBIN WIENS: That's been paid in
7 full. There were a number of customers who opted to --
8 to pay, over time, and I guess would have been regarded
9 as non-participating customers during those years. But,
10 all of those are now paid off in full.

11 MR. BOB PETERS: And the remaining 21
12 percent of this undepreciated capital costs, which total
13 \$28.8 million, that 21 percent was going to be absorbed
14 by Manitoba Hydro's grid customers.

15 Is that correct?

16 MR. ROBIN WIENS: That's correct.

17 MR. BOB PETERS: And that quantifies to
18 about \$6.05 million?

19 MR. ROBIN WIENS: That sounds right.

20 MR. BOB PETERS: And again, Mr. Warden,
21 in light of the way the accounting has taken place,
22 that's already been reflected in Manitoba Hydro's
23 financial statements?

24 MR. VINCE WARDEN: It's recorded as a
25 capital cost in Manitoba Hydro's financial statements, in

1 the interests and depreciation on that capital cost, as
2 being reflected annually, yes.

3 MR. BOB PETERS: It's being -- okay. And
4 it's been reflected annually in the Cost of Service Study
5 for grid customers?

6 MR. VINCE WARDEN: That's correct.

7 MR. BOB PETERS: And it's being paid for
8 by grid customers in their rates?

9 MR. VINCE WARDEN: That's correct.

10 MR. BOB PETERS: Now, starting in two (2)
11 --

12 MR. ROBERT MAYER: Mr. --

13 MR. BOB PETERS: I'm sorry.

14 MR. ROBERT MAYER: Excuse me, just a
15 second. We -- we keep talking about grid customers. It
16 seems to me though, when we pass on general rate
17 increases to grid customers, we also pass on those same
18 rate increases to the residential customers in the four
19 (4) diesel communities.

20 Is that correct?

21 MR. VINCE WARDEN: For the first 2,000
22 kilowatt hours, that's correct, yes.

23

24 CONTINUED BY MR. BOB PETERS:

25 MR. BOB PETERS: And in -- in general

1 terms, the -- the recovery of costs in the diesel
2 community for, say residential customers, is
3 approximately 13 percent of actual costs, whereas with
4 grid customers it's 95 percent for residential customers?

5 MR. ROBIN WIENS: That's correct.

6 MR. BOB PETERS: All right. Starting in
7 2004, and after a tentative settlement agreement was
8 reached, Mr. Wiens, Manitoba Hydro has divided the costs
9 incurred in the diesel zone into either fixed costs, or
10 variable costs, correct?

11 MR. ROBIN WIENS: Yes, we do that in the
12 diesel cost of service studies.

13 MR. BOB PETERS: And that -- and the
14 distinction between fixed costs and variable costs is
15 unique, and it's specifically defined for the diesel
16 zone, it's not one that you use elsewhere.

17 Would that be correct?

18 MR. ROBIN WIENS: Yes, that would -- that
19 would be correct.

20 MR. BOB PETERS: Fixed costs are costs
21 that you don't seek to recover through the rate
22 structure, out -- and it's outside this Board's
23 jurisdiction the way you're structuring your settlement
24 agreement?

25 MR. ROBIN WIENS: Well, fixed costs is --

1 was -- it's not our intent to recover fixed costs, at
2 least in any quantity through the rate structure. There
3 always existed a possibility that some interest in
4 depreciated costs could flow through to the rates because
5 they had not been the subject of any contribution
6 agreement among the parties. To date, Manitoba Hydro has
7 not reflected any of those fixed costs in the -- in the
8 calculation of rates.

9 MR. BOB PETERS: And those fixed costs
10 would include interest expense on the facilities,
11 depreciation, capital taxes, as well as the credits or
12 amortization of contributions and interest on
13 contributions?

14 MR. ROBIN WIENS: Correct.

15 MR. BOB PETERS: And would you agree with
16 me, Mr. Wiens, that those fixed costs represent,
17 ballpark, 40 percent of the actual total costs incurred
18 in the diesel zone?

19 MR. ROBIN WIENS: That sounds reasonable.

20 MR. BOB PETERS: And the variable costs
21 are the generation and distribution operating costs,
22 including things like diesel fuel and the interest on the
23 diesel fuel?

24 MR. ROBIN WIENS: Yes.

25 MR. BOB PETERS: And that comprises the

1 other 60 percent of the total costs in the diesel zone?

2 MR. ROBIN WIENS: Yes.

3 MR. BOB PETERS: And it's those variable
4 costs that Manitoba Hydro seeks to recover through rates?

5 MR. ROBIN WIENS: Yes.

6 MR. BOB PETERS: Just before I leave the
7 thought, I might have it elsewhere in my notes, Mr.
8 Wiens, but in terms of diesel fuel, the current rates set
9 in the diesel zone contemplate diesel fuel at
10 approximately seventy-eight (78) cents a litre?

11 MR. ROBIN WIENS: Correct.

12 MR. BOB PETERS: And if that's what's
13 imbedded in rates, the actual cost is closer to a dollar
14 twenty (\$1.20) a litre.

15 MR. ROBIN WIENS: We have had diesel
16 costs up to a dollar twenty (\$1.20) a litre. I'm not
17 sure that they have ever been embedded in rates at that
18 level.

19 MR. BOB PETERS: No, let me -- let me
20 rephrase my question. I was not suggesting the dollar
21 twenty (\$1.20) was embedded in rates. I guess what I'm
22 suggesting is that dollar twenty (\$1.20) is leading to
23 the -- to the deficit. That's the biggest contributor to
24 the deficit as we sit here today.

25 MR. ROBIN WIENS: Well, generally

1 speaking, the run-up in the cost of fuel is a big
2 contributor to the deficit whether it was at a dollar
3 twenty (\$1.20) or at some other level.

4 MR. BOB PETERS: I -- I found my notes,
5 Mr. Wiens, and in 2004 when the rates were set last, it
6 was seventy-eight point nine (78.9) cents a litre
7 embedded into current rates, and you've agreed with that.

8 Correct?

9 MR. ROBIN WIENS: The last time we set
10 rates I believe was in -- we had an order from the Public
11 Utilities Board in December 2006. So that -- that could
12 be when the rate was seven (7) -- or the cost of diesel
13 was seventy-eight (78) cents.

14 MR. BOB PETERS: I took from the
15 materials that in your fiscal '07/'08 it was a dollar six
16 (\$1.06) a litre was the price of diesel fuel, and in your
17 fiscal '08/'09 it was a dollar twenty (\$1.20) a litre.

18 You'd agree with those prices?

19 MR. ROBIN WIENS: Okay, yes.

20 MR. BOB PETERS: What is the forecast
21 cost of diesel for the current year we're in, fiscal
22 2010?

23 MR. ROBIN WIENS: I'm looking at a 2010
24 average cost of ninety point eight (90.8) cents a litre.

25 MR. BOB PETERS: So it's come down to

1 some significance?

2 MR. ROBIN WIENS: Yes, it has.

3 MR. BOB PETERS: But you've also got
4 diesel inventory up there probably purchased at a higher
5 rate.

6 MR. ROBIN WIENS: Well, if I'm
7 understanding what I'm looking at here, this is the
8 expected average cost for 2009/2010.

9 MR. BOB PETERS: Okay. And diesel fuel
10 is about 64 percent of the variable costs that you incur?

11 MR. ROBIN WIENS: That sounds right.

12 MR. BOB PETERS: Still with Tab 4 of the
13 book of documents, page 8, item number 6 -- item number 6
14 talks about future major capital expenses and how
15 Manitoba Hydro intends to recover them.

16 Would it be fair to say that the
17 expectation was that they would be funded outside the PUB
18 rate structure?

19 MR. ROBIN WIENS: Yes, that was the
20 expectation.

21 MR. BOB PETERS: And would it also be
22 correct that to date that hasn't happened since -- since
23 2004?

24 MR. ROBIN WIENS: It has happened. We
25 have received one (1) capital contribution in respect of

1 the Tadoule Lake generating set since 2004.

2 MR. VINCE WARDEN: And, Mr. Peters, the
3 consultations and discussions are still going on with
4 respect to capital expenditures. The -- the funding is
5 slow in coming through, but there are agreements in
6 principle with those capital expenditures.

7 MR. BOB PETERS: If we turn to Tab 10 of
8 the book of documents, and you will see this is Manitoba
9 Hydro's current filing. This is the 2010 update, that I
10 believe we've marked as Manitoba Hydro Exhibit 1 in these
11 Proceedings.

12 On page 4, at Tab 10, you'll see the
13 bottom paragraph, that since March 31, of 2004, 7.9
14 million has been spent on capital items in the diesel
15 zone?

16 MR. ROBIN WIENS: Yes, I see that.

17 MR. BOB PETERS: That's been paid for by
18 Manitoba Hydro with no contribution from government or
19 First Nations?

20 MR. ROBIN WIENS: That's not quite
21 correct. We have received, as I mentioned, a capital
22 contribution in respect of the Tadoule Lake generating
23 station in the order of \$1.15 million.

24 MR. BOB PETERS: All right. Well, let's
25 show the Board that by turning to Tab 9 of the book of

1 documents. Tab 9, Mr. Wiens, is the Prospective Diesel
2 Cost of Service Study for 2009, and it was going to be
3 Manitoba Hydro Exhibit 2 in these Proceedings.

4 And if we turn to page 21 of Tab 9 you'll
5 see Schedule 11.

6 MR. ROBIN WIENS: Yes, I see that.

7 MR. BOB PETERS: And you'll see that, in
8 light of the -- since April 1st of 2004, Manitoba Hydro
9 has spent \$9.8 million on capital in the four (4)
10 communities.

11 Do you agree with that number?

12 MR. ROBIN WIENS: Well that was the
13 number --that was the number that has been forecast at
14 that time. That -- that has since changed.

15 MR. BOB PETERS: Well, all right. What
16 hasn't changed is the Tadoule genset contribution of
17 \$1.147 million.

18 MR. ROBIN WIENS: That has not changed.

19 MR. BOB PETERS: When I add up those
20 numbers, I get a total of \$10.4 million of capital
21 expenditures after giving credit for the Tadoule Lake
22 generation set contribution.

23 What is the actual number then, Mr. Wiens,
24 if it's not ten point four (10.4)?

25 MR. ROBIN WIENS: I'm struggling a bit

1 with the ten point four (10.4).

2 MR. BOB PETERS: Okay, let me help you.
3 The -- the 9 -- I took the 9.8 million. I gave credit
4 for the 1.14 million for the Tadoule Lake genset. I then
5 added the additional depreciation and interest expense,
6 and that's where I came to my ten point four (10.4).

7 MR. ROBIN WIENS: Well, Mr. Peters, the -
8 - the capital itself is the nine point eight (9.8) minus
9 the one point one (1.1). The additional depreciation and
10 interest is, if we had included that into the calculation
11 of rates, what that nine point eight (9.8) minus one
12 point one (1.1) of capital would have resulted in terms
13 of expenses taken into that year, so it's not an -- it's
14 not an additional capital cost, it's -- it's interest in
15 respect of the capital cost and depreciation of that
16 capital.

17 MR. BOB PETERS: All right, I've got your
18 point. Your point is that the nine point eight (9.8)
19 minus the one point one five (1.15), or approximately
20 \$8.7 million, of capital is the approximate amount paid
21 since April of 2004.

22 MR. ROBIN WIENS: That's correct.

23 MR. BOB PETERS: Now, has any been spent
24 in the current fiscal year, to your knowledge?

25 MR. ROBIN WIENS: Yes, there is a

1 relatively small amount of capital that has been spent in
2 the current fiscal year.

3 MR. BOB PETERS: So we're talking all --
4 all in, we're still back about, would you say 9 million
5 or \$10 million of capital expended since 2004?

6 MR. ROBIN WIENS: Well, if we include all
7 items of capital which are not -- this includes all major
8 items, this -- this schedule. If we go and include all
9 the miscellaneous small capital items and go -- forecast
10 to the end of March 31st of 2010, we're looking at
11 approximately 8.5 million gross, less the contribution
12 that was received, so add about 7.4 million net.

13 MR. BOB PETERS: Okay.

14

15 (BRIEF PAUSE)

16

17 MR. BOB PETERS: Does any of that 7.4
18 million include any items of capital that are intended to
19 be recovered as variable expenses in the rates?

20 MR. ROBIN WIENS: We have not included
21 any capital as -- into the calculation of the rates, any
22 capital, well, either before or after March 31st, 2004.
23 There is potentially some smaller amounts of capital that
24 could have been but they have not included in the
25 determination rates.

1 MR. BOB PETERS: All right. So, Mr.
2 Warden, this \$7.4 million is the amount that is subject
3 to the ongoing negotiations, for which Manitoba is
4 seeking payment at this point in time?

5 MR. VINCE WARDEN: Yes.

6 MR. BOB PETERS: Let's turn to the
7 operating costs and operating deficits at book of
8 documents Tab 10, page 2, line 25, there's an operating -
9 - well, there's a -- a cumulative deficit, let's call it
10 that, that's shown in total at \$16.8 million, Mr. Warden?

11 MR. VINCE WARDEN: Yes.

12 MR. BOB PETERS: And that's forecast to
13 March 31 of 2010? And I'm looking on line 28, 27.

14 MR. VINCE WARDEN: Yes, just -- just to
15 be clear, that is the -- the gross deficit before --

16 MR. BOB PETERS: All right, let -- let's
17 just take out the items then. You're telling the Board
18 that the interest and depreciation on 21 percent of the
19 capital would be possibly backed out and paid for by
20 Manitoba Hydro or its grid customers?

21 MR. VINCE WARDEN: Yes.

22 MR. BOB PETERS: So that \$16.8 million
23 number comes down by \$6.8 million according to what I
24 read, you'd agree with that?

25 MR. VINCE WARDEN: Yes, I agree.

1 MR. BOB PETERS: And then in addition to
2 that, when you set rates in diesel communities, you don't
3 use the same revenue-to-cost-coverage ratio that you do
4 for grid customers, do you, Mr. Wiens?

5 MR. ROBIN WIENS: When we determine the
6 revenue requirement that we want to reflect in the actual
7 full cost, pardon me, we determine the full cost rate
8 before we look at the revenue requirement. The revenue
9 requirement for residential and general service customers
10 is what falls out of the application of the full cost
11 rate and the overall operating subsidies that Manitoba
12 Hydro is prepared to provide.

13 MR. BOB PETERS: Maybe you're saying it,
14 and I'm not understanding it, but on page -- page 8 of Tab
15 10, you show the Board in Schedule 2 how you calculate
16 the residential revenue requirement, Mr. Wiens, and one
17 (1) of the reductions is to reduce it -- reduce the --
18 the required revenue by eight hundred and thirty-seven
19 thousand dollars (\$837,000) to, in essence, give a
20 subsidy, if you will, to the residential customers to
21 bring the revenue-to-cost-coverage ratio down to 82
22 percent?

23 MR. ROBIN WIENS: Yes, that's what we do.

24 MR. BOB PETERS: And, Mr. Wiens, that 82
25 percent is not a requirement pursuant to the tentative

1 settlement agreement, is it?

2 MR. ROBIN WIENS: No, it's a practice,
3 it's a long-standing practice in terms of setting rates
4 in the diesel zone.

5 MR. BOB PETERS: It's a relic of a bygone
6 era?

7 MR. ROBIN WIENS: Well, that's your
8 characterization --

9 MR. BOB PETERS: All right. It --

10 MR. ROBIN WIENS: -- Mr. Peters.

11 MR. BOB PETERS: What it is, actually, is
12 it is the RCC residential customers in Zone 3 rates when
13 Manitoba Hydro had Zone 1, Zone 2, and Zone 3 rates?

14 MR. ROBIN WIENS: That is what it is.

15 MR. BOB PETERS: All right. And that's a
16 bygone era?

17 MR. ROBIN WIENS: As far as -- as far as
18 maintaining zones is concerned, yes, it is.

19 MR. BOB PETERS: And if we turn the page
20 to Schedule 3, for the general service customers --
21 before we leave the residential, the residential customer
22 RCC on the grid is approximately 95 percent, and I think
23 you agreed with me on that earlier?

24 MR. ROBIN WIENS: Yes.

25 MR. BOB PETERS: If we turn the page to

1 Schedule 3 then, in Tab 4 on page 9, the reduction for
2 RCC afforded to the general service customers, that's
3 quantified at about two hundred and twenty-five thousand
4 dollars (\$225,000), is 89 percent, that's the set -- the
5 number that's been used again from the -- from my
6 characterization of a bygone era?

7 MR. ROBIN WIENS: Yes.

8 MR. BOB PETERS: And the RCC for grid
9 customers is closer to 105 percent?

10 MR. ROBIN WIENS: Yes.

11 MR. BOB PETERS: All right. So, Mr.
12 Warden, when we net out the RCC adjustments, that's
13 another \$4.9 million cumulatively since 2004, and I come
14 up with a net of \$5.1 million as being the operating
15 deficit of Manitoba Hydro.

16 Is that close to the number you have?

17 MR. VINCE WARDEN: Mr. Peter, I -- I did
18 refer, in my opening comments, to some revisions. This -
19 - this is an area where there was some revision to the
20 schedules and the deficit number has changed to -- from
21 the 5.1 million to 8.3 million, the remaining deficit.

22 The -- I just wanted to comment on the
23 bygone era though, if I could.

24 MR. BOB PETERS: I was trying to make --
25 make it light. I didn't mean to offend if --

1 MR. VINCE WARDEN: I didn't want to leave
2 on the record, though, that we are -- we're -- there --
3 there's a contribution or reduction here that may be
4 inappropriate. You recall that -- that when we
5 eliminated the zones was to do with uniform rates when
6 uniform rates were introduced -- in 2001, was it?

7 MR. ROBERT WEINS: 2001, November.

8 MR. VINCE WARDEN: 2001. And so, the
9 compensating credit to other Zone 2 and 3 customers comes
10 from export revenue. So, I don't want to get into the
11 Cost of Service Study again, but you'll recall that the -
12 - the amount that -- that makes those customers whole is
13 the first call on export revenues. So, there is -- there
14 is an equivalent credit going back to the Zone 2 and --
15 the old bygone Zone 2 and 3 customers.

16 MR. BOB PETERS: Your point is taken, and
17 -- and I -- I accept the qualification. The update, I
18 think that would be helpful to the Board, is if we turn
19 to Tab 8, of the book of documents, Mr. Warden. And in
20 Tab 8, of the book of documents, we have Appendix 8,
21 which was an update provided to the Board following its
22 Order 150 of '08, as to the Directive 26, and it's also
23 been marked as Exhibit Manitoba Hydro 3 in these
24 Proceedings.

25 Have you found page 4 of 4, it's the last

1 page in Tab 8, Mr. Warden?

2 MR. VINCE WARDEN: Yes.

3 MR. BOB PETERS: I did my own revisions
4 to this page, trying to make the numbers work, and I came
5 up with your '07/'08 accumulated deficit, in the far
6 right-hand column of \$3.021 million, while that is
7 different than the number you tell me in the next tab of
8 my book of documents for the same schedule.

9 But assuming that number is correct, and -
10 - have you made any revisions to that '07/'08 number?

11

12 (BRIEF PAUSE)

13

14 MR. ROBIN WIENS: Mr. Peters, we did not
15 make any revisions to this particular table in the 2009
16 Cost of Service Study. But if you were going to do that,
17 '07/'08, the -- the number would be three two five zero
18 eight two five (3,250,825).

19 MR. BOB PETERS: Let me interrupt you
20 there, Mr. Wiens. If the Board wants to turn to Tab 9,
21 of the book of documents, and turn to page 20 of Tab 9,
22 we've got the same schedule, with a number Mr. Wiens has
23 just put on the record for '07/'08.

24 So, we -- we've got that material, Mr.
25 Wiens, are you with me?

1 MR. ROBIN WIENS: Not quite. Now I am.

2 MR. BOB PETERS: So, you'll see that
3 '07/'08 in the actual perspective cost of diesel study
4 give us the \$3.25 million you just referenced?

5 MR. ROBIN WIENS: Yes.

6 MR. BOB PETERS: I want to update it for
7 the actuals for 2008/'09, what is the accumulated deficit
8 at the year end?

9 MR. ROBIN WIENS: That would be five six
10 five nine seven five five (5,659,755).

11 MR. BOB PETERS: Could you say that
12 again, please?

13 MR. ROBIN WIENS: Five six five nine
14 seven five five (5,659,755).

15 MR. BOB PETERS: And if we wanted -- if
16 the Board wanted to include the loss in operations for
17 the current fiscal year that you're in, and your forecast
18 for that, that will bring us to the \$8.3 million that Mr.
19 Warden mentioned?

20 MR. ROBIN WIENS: That's correct.

21 MR. BOB PETERS: All right. So, suffice
22 it to say, as we sit here, the expectation of Manitoba
23 Hydro is that there will be, \$8.3 million, accumulated
24 deficit at the end of the fiscal year as a result of the
25 variable costs in the diesel zone?

1 setting methodology does not include those. Those are --
2 those are show to demonstrate the -- the additional
3 subsidies that flow from grid customers to the diesel
4 zone.

5 MR. BOB PETERS: All right, I think I've
6 got your point. And in addition to those variable costs,
7 the deficit being 8.3 million, there's a \$7.4 million
8 additional issue for capital expenditures that are still
9 not paid but are being kept outside the rate structure.

10 MR. ROBIN WIENS: Yes. And those aren't
11 included in any of these numbers that we're -- we're
12 talking about here.

13 MR. BOB PETERS: Understood. In my six
14 (6) minutes left, Mr. Wiens, would you agree -- at Tab 11
15 of the book of documents is a schedule of rates that was
16 prepared, not by Manitoba Hydro but perhaps my office,
17 and in terms of a historical review of rates, I want to
18 look at the far right-hand column, and specifically the
19 full cost rate of fifty-nine point eight six (59.86)
20 cents would be the most current calculation if Manitoba
21 Hydro was to revise its rates consistent with the last
22 time it did so before this Board?

23 MR. ROBIN WIENS: That was the number
24 that appeared in the original filing that Manitoba Hydro
25 made on November the 9th.

1 MR. BOB PETERS: Yes.

2 MR. ROBIN WIENS: Because of the issue
3 with the -- with the accumulated deficit moving from \$5.1
4 to \$5.3 million as a result of correcting that -- that
5 error, the full cost rate would actually move up to --
6 from fifty-nine point eight six (59.86) cents that's
7 shown here, to the six three point one one (63.11) -- I
8 think it's six three one one (6311) -- six three point
9 one five (63.15) cents. That would be the full cost rate
10 that would apply in -- in 2009/2010.

11 MR. BOB PETERS: The only other number
12 then I need you to update, I guess, is dealing with the
13 premium or surcharge under the government accounts.

14 That would also change, Mr. Wiens?

15 MR. ROBIN WIENS: Yes, I believe that
16 would. And you'll have to give me a moment to check that
17 just to give you the -- the surcharge would go to one
18 dollar seventy-three point one (\$1.73.1).

19 MR. BOB PETERS: And if we add the
20 surcharge and the full cost rate we'll get the government
21 rate then.

22 MR. ROBIN WIENS: That would be two
23 thirty-six three (2.36.3).

24 MR. BOB PETERS: There's no suggestion in
25 the materials that Manitoba Hydro wants to change the

1 rate struc -- or the rate design, in terms of the 2,000
2 kilowatt hours per month at grid rates for both
3 residential and general service, is there, Mr. Wiens?

4 MR. ROBIN WIENS: Manitoba Hydro has not
5 made that suggestion.

6 MR. BOB PETERS: And, in fact, if I read
7 the materials correctly, I thought it might have been
8 CAC/MSOS last time, who thought maybe a -- a more
9 appropriate grid rate equivalent would be for 1,500
10 kilowatt hours.

11 Do you recall that?

12 MR. ROBIN WIENS: I have some
13 recollection of it, yes.

14 MR. BOB PETERS: Well, do you recall that
15 currently if -- if you're connected to the grid and
16 you're not using electricity for heat, it's Manitoba
17 Hydro's materials that demonstrate that would be
18 approximately 900 kilowatt hours per month per average
19 household?

20 MR. ROBIN WIENS: That would be for a
21 typical household that does not have electric heat.
22 That's -- that's probably based on the average in the
23 grid -- in the grid-served customer.

24 MR. BOB PETERS: And Manitoba Hydro
25 offering 2,000 kilowatt hours per month for the

1 residential zone, that's twice as much as you would
2 expect would be needed for electric uses, excluding
3 electric space heat.

4 MR. ROBIN WIENS: For a typical home.

5 MR. BOB PETERS: And by allowing up to
6 2,000 kilowatt hours is Manitoba Hydro providing a
7 temptation to customers in that zone to use some of their
8 grid-equivalent capacity for space heat?

9 MR. ROBIN WIENS: I suppose that -- that
10 is possible, Mr. Peters.

11 MR. BOB PETERS: The reason you don't
12 want Hydro -- you don't want diesel generated electricity
13 used for space heat is because it is very inefficient,
14 compared to even burning the diesel fuel as a heat
15 source.

16 MR. ROBIN WIENS: It is. It's -- it's
17 quite inefficient, compared to direct burning diesel
18 fuel.

19 MR. BOB PETERS: Direct burning of diesel
20 fuel might approximately 70 percent efficient, whereas
21 using it through the diesel generator and then heating
22 your home would make it only 30 percent efficient.

23 MR. ROBIN WIENS: Yeah. Those are --
24 those are reasonable numbers.

25 MR. BOB PETERS: All right. In closing,

1 do you acknowledge, Mr. Wiens and Mr. Warden, that over
2 90 percent of the total seven hundred (700) diesel zone
3 customers would not be affected by changing the full cost
4 rate or the surcharge?

5 MR. VINCE WARDEN: Yes.

6 MR. BOB PETERS: And only the few
7 residential customers who would be affected by having to
8 pay the full cost rate for consumption in excess of 2,000
9 kilowatt hours, those are customers that Manitoba Hydro
10 suspects but hasn't proven are using electricity for
11 space heat?

12 MR. VINCE WARDEN: May not be using
13 electricity for space heat totally, but we -- we do -- to
14 -- to have usage in the range, it's likely they're
15 plugging in baseboard heaters occasionally.

16 MR. BOB PETERS: And approximately thirty
17 (30) First Nations Government accounts that were existing
18 in 2004 have been reclassified as general service
19 accounts since 2004. This, again, pursuant to the
20 tentative settlement agreement. And, as such, those
21 thirty (30) First Nations government accounts are no
22 longer charged the premium or surcharge in addition to
23 the full rates that they pay.

24 MR. ROBIN WIENS: They don't -- they
25 don't face the surcharge, but a lot higher proportion of

1 their consumption than is the case for residential would
2 be subject to the full cost rate.

3 MR. BOB PETERS: But it would have been,
4 subject to that as well, prior to 2004, Mr. Wiens, would
5 --

6 MR. ROBIN WIENS: That is correct.

7 MR. BOB PETERS: You'd also agree that
8 the total energy consumption in the diesel zone has been
9 more or less constant since 2004, at approximately 12
10 million gigawa -- kilowatt hours per year?

11 MR. ROBIN WIENS: Yes, we're forecasting
12 about 13 million in the 2009/'10 year, so it -- it
13 appears to have risen somewhat, but it's -- it's been
14 around the 12 million for most of those years.

15 MR. BOB PETERS: You'd take, subject to
16 check, that in 2004 it was 12.05 million kilowatt hours,
17 and in 2009 it was 12.6 million kilowatt hours?

18 MR. ROBIN WIENS: Yeah, I -- I would take
19 that. The only caveat I would put on it is I'm not sure
20 whether those were forecast or actual, or maybe one (1)
21 was one (1) and one (1) was the other.

22 MR. BOB PETERS: And in terms of
23 government consumption, which is -- over which the
24 surcharge is evenly spread, it remains relatively
25 constant at 2.2 million kilowatt hours per year.

1 MR. ROBIN WIENS: Yes.

2 MR. BOB PETERS: And Manitoba Hydro is
3 not aware of any government accounts or government
4 customers that are threatening to leave the diesel zone
5 on account of electricity rates?

6 MR. ROBIN WIENS: I -- I am not aware of
7 any.

8 MR. BOB PETERS: Thank you, Mr. Chairman.
9 You know me well enough to know that I would use more
10 time, but I'm going to turn it over to Ms. Bowman. I
11 think she has some of the same questions that I have, and
12 she's certainly welcome to use Tabs 12 and 13 in my book
13 and documents if she gets there.

14 So thank you, Mr. Chairman.

15 THE CHAIRPERSON: Thank you, Mr. Peters.
16 Ms. Bowman...?

17

18 CROSS-EXAMINATION BY MS. MYFANWY BOWMAN:

19 MS. MYFANWY BOWMAN: Thank you, Mr.
20 Peters. Thank you, Mr. Chair. I have ten (10) areas I'd
21 like to cover in cross. I have a terrible suspicion I'm
22 not going to get through all of them.

23 I'm going to start with a very quick and
24 snappy question. Has there been any public notice of
25 this Hearing to the other customers in the diesel zone

1 who did not participate in the 2004 Hearing?

2 MR. VINCE WARDEN: No.

3 MS. MYFANWY BOWMAN: Aside from a pub --
4 something published in the newspaper, has there been any
5 other form of notice to them?

6 MR. VINCE WARDEN: No, there has not.

7 MS. MYFANWY BOWMAN: And would any of
8 those customers likely be affected by a change to the
9 full cost rate?

10 MR. VINCE WARDEN: Well, it could be
11 argued that all customers are affected by a change to the
12 full cost rate, to the extent that that filters down into
13 the community and the cost of living within those
14 communities.

15 MS. MYFANWY BOWMAN: Would they be
16 affected in a more direct way? For example, are there
17 government offices other than those funded directly by
18 INAC, who's here today?

19 MR. VINCE WARDEN: Yes.

20 MS. MYFANWY BOWMAN: And the school
21 division and -- and other customers of that nature?

22 MR. VINCE WARDEN: That's correct.

23 MS. MYFANWY BOWMAN: Can you tell us how
24 many customers, approximately, there are in each of your
25 class -- in -- in each customer class, please?

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(BRIEF PAUSE)

MR. VINCE WARDEN: Ms. Bowman, this -- these numbers were accurate, as of November of 2008. We had five hundred and thirty-four (534) residential customers, one hundred and fourteen (114) general service customers, forty-four (44) Federal Government, twenty-one (21) Provincial Government, and then we have roadway lighting for one hundred and seven (107), for a total of eight hundred and twenty (820) customers.

MR. ROBERT MAYER: Did you say a total of five hundred (500) residential customers in all four (4) communities? That's what I thought.

MR. VINCE WARDEN: Sorry, the -- these are number of accounts, so not -- not -- this doesn't represent the population. This is five hundred and thirty-four (534) total in all four (4) communities. This -- this is number of meters that we have in these communities.

MR. ROBERT MAYER: Do you have any idea how that compares to the number of homes in those communities?

MR. VINCE WARDEN: We have -- there -- the population, my under -- my understanding is the

1 population's approximately two thousand (2,000). Number
2 of homes -- well, I would say number of homes should be
3 very close to the five thirty-four (534), the number of
4 residential meters.

5

6 CONTINUED BY MS. MYFANWY BOWMAN:

7 MS. MYFANWY BOWMAN: Thank you for that.
8 I want to just ask a couple of questions about the
9 accumulated deficit prior to 2004, the -- the -- was
10 dealt with in the settlement agreement. And what I
11 understood from your exchange -- both from the documents
12 of your exchange with Mr. Peters was that the -- as of
13 March 31, 2004, the balance was approximately 16.9
14 million.

15 I have that right?

16 MR. VINCE WARDEN: Yes.

17 MS. MYFANWY BOWMAN: Now the part that
18 confused me was, I understood that the export revenues
19 have been allocated to that, but, first, that there had
20 been a \$13.5 million writeoff out of that 16.9 million in
21 2005.

22 Is that correct?

23 MR. VINCE WARDEN: Well, out of the 16.9
24 we had set up 13.5 million as an account receivable in
25 the year prior. That amount was written off as a result

1 of the minutes of settlement that we agreed to.

2 There was no -- I think you referenced
3 export revenues. There was no allocation of export
4 revenues in the -- in driving that number though.

5 MS. MYFANWY BOWMAN: Sorry, I -- I
6 blurred the issues, and I apologize. So that would then
7 take the balance to 3.4 million.

8 Am I right?

9 MR. VINCE WARDEN: Well, no, not really.
10 The -- the entire 16.9 million was, in effect, written
11 off. We had a bit of an unusual circumstance. We had --
12 we had some concerns about the -- the size of the deficit
13 and -- and had made a decision to set that up as a
14 receivable, which we subsequently wrote off. However,
15 for purposes of our discussion, you can consider the
16 entire 16.9 million written off.

17 MS. MYFANWY BOWMAN: Thank you. That was
18 the part I was confused about.

19 All right. So -- and then as a result of
20 the application of a certain portion of the export
21 revenues, that amount has been paid down to somewhere in
22 the area of 14.2 million.

23 Is that right?

24 MR. VINCE WARDEN: Yes, again, with a
25 qualification. It depends how those export revenues are

1 allocated, and that gets into our Cost of Service Study
2 discussion, but, yes, that -- that is correct.

3

4 (BRIEF PAUSE)

5

6 MS. MYFANWY BOWMAN: Perhaps before I
7 move on I should ask Hydro, I served a series of pre-
8 asked questions on Manitoba Hydro on Friday.

9 Has Hydro had an opportunity to respond to
10 those?

11 MR. VINCE WARDEN: Yes, I think we were
12 intending to respond to them on the record. However, if
13 you prefer us to do it through a handout direct response,
14 we can do that as well.

15 MS. MYFANWY BOWMAN: I think something in
16 writing would probably be helpful. And I was hoping
17 that, in response to the Question 4, you'd be filing a
18 report.

19 Is Hydro going to be able to do that
20 today?

21

22 (BRIEF PAUSE)

23

24 MR. VINCE WARDEN: Yes, we can do that.
25 Would you like it now? We --

1 MS. MYFANWY BOWMAN: That would probably
2 be useful, yes. Thank you. I suspect this is coming out
3 of my forty (40) minutes.

4 MR. BOB PETERS: With -- to assist --

5 MR. ROBERT MAYER: Could have done that
6 over the coffee break.

7 MR. BOB PETERS: To assist --

8 MS. MYFANWY BOWMAN: If -- if the Board
9 is comfortable with that, we can certainly do it. None
10 of my -- most of my questions will relate to other
11 things. I was going to ask to file the report as an
12 exhibit, but if it's being filed as part of the pre-ask
13 then I think that it'll get onto the record the same way.
14 So, we can wait for the break, if the Board would prefer.

15

16 (BRIEF PAUSE)

17

18 THE CHAIRPERSON: Are we going to give an
19 exhibit number to this Mr. Peters.

20 MR. BOB PETERS: Yes, Mr. Chairman. I
21 suggest that the pre-ask questions be filed as -- as
22 Exhibit CAC/MSOS 1.

23

24 --- EXHIBIT NO. CAC/MSOS-1: Responses to pre-ask
25 questions

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MR. BOB PETERS: And the report -- and Ms. Bowman will correct me if I'm wrong, Mr. Chairman, but the report would be marked CAC/MSOS Exhibit 2. And I believe it is the report that would be in reference to the climate change and Emissions Reduction Act, Section 17, which is found at Tab 13 of the book of documents, as been find out -- filed. So, that would be CAC Exhibit number 2.

--- EXHIBIT NO. CAC/MSOS-2:

Report in reference to the climate change and Emissions Reduction Act, Section 17, which is found at Tab 13 of the book of documents

THE CHAIRPERSON: Very good.

MS. MYFANWY BOWMAN: Thank you very much. I was -- just wanted to make sure we didn't forget that along the way. And I will probably come back to it if time permits me.

MS. PATTI RAMAGE: I'm sorry, if I could just get a clarification from Mr. Peters. Is Exhibit 1, the questions, or questions and responses?

MR. BOB PETERS: Exhibit 1, I intended to

1 be the responses to the pre-ask questions that was --
2 that are handed out by Manitoba Hydro.

3

4 CONTINUED BY MS. MYFANWY BOWMAN:

5 MS. MYFANWY BOWMAN: In the interests of
6 time, I'm going to try and move quickly and take you on a
7 whirlwind tour of a few issues.

8 Mr. Peters asked you a number of questions
9 about the, sort of, the annual deficits that have been
10 accrued since 2004. And in this year we've discussed
11 that it's probably in the area of \$8.3 million, and that
12 was the accumulated deficit.

13 Is that right?

14 MR. ROBIN WIENS: That's the accumulated
15 deficit forecast to March 31, 2010.

16 MS. MYFANWY BOWMAN: And what's Hydro's
17 expectation or plan for that deficit? Where -- what does
18 Hydro think is gonna happen with that, or what do you
19 hope is gonna happen with that?

20 MR. VINCE WARDEN: Well, as I mentioned
21 earlier, the -- the -- any deficits are taken into
22 current year operations, so there's no 8.3 million
23 sitting there on the books of Manitoba Hydro waiting for
24 some decision. So, costs are recorded in the year
25 incurred, revenues are also incur -- recorded in the year

1 incurred, and any resulting profit or loss in this case
2 loss -- is taken into net income or loss for the year.
3 So the -- the accumulation is -- is for purposes of the
4 Cost of Service Study only, and may or may not be
5 reflected in future rates, depending on the decision of
6 this Board. But as far as the books of Manitoba Hydro
7 are concerned, there's no deficit sitting there waiting
8 to be -- waiting for a decision.

9 MS. MYFANWY BOWMAN: So is -- there's no
10 expectation on the behalf -- on behalf of Manitoba Hydro
11 that at some point ratepayers are going to be responsible
12 for that amount.

13 MR. VINCE WARDEN: Well, that's what
14 these deliberations are all about, as to whether or not
15 there should be a portion of that or all of that
16 incorporated in rates.

17 MS. MYFANWY BOWMAN: And I understand
18 that as things currently stand, one-fifth (1/5th) of that
19 amount is being in -- incorporated into rates on an
20 ongoing basis.

21 MR. VINCE WARDEN: No, it's only for
22 purposes of deriving the -- the amount of an application,
23 or rate application that we would put forward. We --
24 because diesel fuel, which represents approximately 64
25 percent of the total cost, is quite variable, we chose a

1 number of years ago to, rather than have fluctuating
2 rates from year to year to year because of diesel fuel,
3 we would attempt to smooth that by taking one-fifth
4 (1/5th) of the cost in any given year, and amortizing
5 that over the subsequent five (5) years.

6 That's the only reason we have the -- the
7 smoothing.

8 MR. ROBIN WIENS: Just perhaps by way of
9 clarification, Ms. Bowman, if -- if -- if you would go to
10 the schedule that was provided as part of the response to
11 your pre-asks, it would be the last page of that. That -
12 - that sets forth the accumulation of the surplus or
13 deficit in the diesel zone.

14 And the normal practice, which we have not
15 -- which we have followed in calculating the numbers that
16 were presented here, would be that we would take the
17 amount at the end of 2008/2009, which is 5.659 million,
18 and we would take 20 percent of that and that would be
19 added into the revenue requirement for the following
20 year.

21 That -- that has been the practice that we
22 followed in past applications, and the practice that we
23 followed in setting forth what the rates would be in this
24 filing, but it's not a rate that we're proposing -- or
25 that we're applying for.

1 MS. MYFANWY BOWMAN: But in the event
2 that the Board, for example, were to increase the -- the
3 variable full cost rate to the -- the number that you had
4 just given us recently --

5 MR. ROBIN WIENS: Six three point one
6 five (63.15).

7 MS. MYFANWY BOWMAN: -- thank you -- then
8 that amount would be included, that one fifth (1/5)?

9 MR. ROBIN WIENS: Yes. The six three
10 point one five (63.15) includes one-fifth (1/5th) of the
11 amount outstanding at the end of 2008/2009.

12 MS. MYFANWY BOWMAN: Thank you. Turning
13 to the issue of capital expenditures, it's fair to say
14 that Manitoba Hydro holds open the possibility that in
15 the event appropriate contributions are not received from
16 the various stakeholders in and for those communities,
17 that the possibility exists that those capital costs
18 could once again be factored into rates.

19 Is that fair?

20 MR. VINCE WARDEN: Yes.

21 MS. MYFANWY BOWMAN: And Mr. Peters asked
22 you a little bit about some of the capital costs that
23 have been incurred from 2004 until now. Now we
24 understand that one (1) of those components was a -- a
25 generation set for Tadoule Lake.

1 been received in respect of Tadoule Lake, 7.4 million in
2 capital, has been expended, or it anticipated to be
3 expended by the end of this fiscal year. I would add
4 that the amount expected to be expended within this
5 fiscal year is relatively minor, about three hundred
6 thousand (300,000).

7 MS. MYFANWY BOWMAN: Thank you, Mr.
8 Wiens. Mr. Warden commented on the fact that there have
9 been discussions with respect to soliciting contributions
10 to cover off those costs.

11 Given that it's been, for -- for some
12 portion, at least, of that amount, it's been several
13 years, and contributions have not been forthcoming, other
14 than the one (1), is Hydro concerned about whether it's
15 going to get paid for this -- for these amounts?

16 MR. VINCE WARDEN: Our con -- our concern
17 is more related to the length of time that it's taking.
18 We do have commitments, if not written commitments,
19 verbal commitments, from the parties that the payments
20 will be made. However, it's like our -- our agreement
21 that has taken forever to get signed. Things just seem
22 to take much, much longer than they should.

23 So our concern is not so much in getting
24 paid, but in -- in the amount of time it's taking.

25 MS. MYFANWY BOWMAN: Thank you, Mr.

1 Warden. Now, I understand as well, from the material,
2 that Hydro is anticipating over the next several years
3 spending approximately another \$16.45 million in future
4 capital expenses for these four (4) communities.

5 Is that right? I'm looking at page 5 of
6 the update.

7

8 (BRIEF PAUSE)

9

10 MR. ROBIN WIENS: That's correct. Those
11 are expenditures that would be made if they are made
12 beyond the current fiscal year.

13 MS. MYFANWY BOWMAN: And has Hydro taken
14 steps, and if so what steps with respect to getting
15 contributions to cover off those costs?

16 MR. VINCE WARDEN: Again, we -- we have
17 discussions, ongoing discussions. Ideally, we'd like to
18 have the contract signed before we spend any money. It
19 doesn't always work out that way though. Sometimes
20 there's -- and quite often there's emergency work that
21 has to be done that's time sensitive, so we have to go
22 ahead on good faith in a lot of cases, and expend that --
23 those monies with the antic -- anticipation of being
24 repaid in the future. We can't jeopardize service or
25 safety.

1 MS. MYFANWY BOWMAN: And -- and so that
2 would be the reason why costs have been incurred before
3 funding has been in place? Is that --

4 MR. VINCE WARDEN: Yes.

5 MS. MYFANWY BOWMAN: And that will
6 continue to be Hydro's policy, presumably?

7 MR. VINCE WARDEN: Absolutely.

8 MS. MYFANWY BOWMAN: And so is Hydro able
9 to predict at this point what the likelihood is of -- of
10 those funds being forthcoming?

11 MR. VINCE WARDEN: Oh, we're expecting
12 that likelihood to be 100 percent.

13 MS. MYFANWY BOWMAN: Would it be fair to
14 expect that there may be a significant delay?

15 MR. VINCE WARDEN: Based on past
16 practice, that's probably the fair assumption, yes.

17

18 (BRIEF PAUSE)

19

20 MS. MYFANWY BOWMAN: I'd like to look
21 briefly at -- at rates currently, and more specifically
22 the rate structure.

23 Mr. Peters had asked you about the issue
24 of the calculation of the RCC for the residential and
25 general service customers, and how you calculate an RCC

1 based on what had been the RCC for -- for Zone 3 back
2 when there was a Zone 3, and then the revenue is
3 calculated on that basis.

4 Am I understanding correctly what's
5 happening there?

6 MR. ROBIN WIENS: Yes.

7 MS. MYFANWY BOWMAN: And so in effect
8 what's happening is, for -- for both the residential and
9 general service customers, there is a subsidy -- an RCC
10 subsidy, if you want to call it that, that is flowing in
11 -- in that particular way.

12 MR. ROBIN WIENS: Yes.

13 MS. MYFANWY BOWMAN: There is also
14 interims of -- of these ongoing deficits that Hydro's
15 been experiencing year to year. There is a subsidy, in
16 the sense that -- that money is being spent that is not
17 being generated in those -- in -- in that -- in that
18 zone.

19 Is that right?

20 MR. ROBIN WIENS: Well, for a variety of
21 reasons what happens is that the rate that was set and is
22 in place does not recover the revenue requirement for --
23 for the diesel zone. It may be because of the -- the
24 rates have not been updated. Or it may be because the
25 rate was inadequate to begin with. It may be because

1 consumption was not the same as was anticipated.

2 But for a variety of reasons, there is
3 what we call a variance between what we needed to collect
4 in that particular year and what we actually did collect.

5 MS. MYFANWY BOWMAN: Thank you. And then
6 there is also an allocation of export revenues that's
7 currently flowing to the credit of the diesel zone
8 customers, although it's not currently reducing their
9 rates; it's going to pay down that -- that pre 2004
10 deficit.

11 Is that right?

12 MR. ROBIN WIENS: That's correct.

13

14 (BRIEF PAUSE)

15

16 MS. MYFANWY BOWMAN: I'm going to ask you
17 to look at the 2010 updated diesel community costs and
18 rates that Hydro filed, and I'm going to ask you to turn
19 to page 4, which talks about the options that Hydro has
20 reviewed for restructuring diesel rates.

21

22 (BRIEF PAUSE)

23

24 MR. VINCE WARDEN: Sorry. Yes, we have
25 it here.

1 MS. MYFANWY BOWMAN: Thank you. And I
2 hesitate to -- to impose a time limit on you, but I do
3 have a number of other areas that are also of -- of
4 urgent priority to my client, so I'm going to ask you to
5 just describe briefly these options and -- and Hydro's
6 opinion on the pros and cons of those options. And --
7 and I'll ask you to do it briefly, and I apologize,
8 realising that you probable won't do them justice.

9 MR. VINCE WARDEN: Well, sure. We -- we
10 have presented here six (6) options that were considered
11 by Manitoba Hydro. The -- the base option is Option
12 Number 1, is -- is with maintaining rates as they are
13 today, and that results in an overall subsidy of \$4.4
14 million. And this is just based on simply looking at the
15 total costs in the community.

16 The total revenues from that community
17 results in a -- in an annualized subsidy of \$4.4 million.
18 And that's going to change from year to year, depending
19 on the -- mainly on the price of diesel fuel. But for
20 the purposes of our discussion, that is the -- the annual
21 subsidy that flows to those four (4) communities.

22 So, we looked at alternatives to that base
23 case, whereby we would only apply for a rate increase
24 based on the price of fuel only. So at the time this --
25 this document was prepared, that would have resulted in a

1 rate increase of one point eight (1.8) -- resulting in
2 additional revenue of 1.8 million. And that would have
3 then resulted in a subsidy, the four point four (4.4)
4 going to the \$2.6 million annual subsidy.

5 That -- in that scenario, the forty-one
6 point two seven (41.27) cents per kilowatt hour would
7 have gone up to fifty-seven (57) cents per kilowatt hour.
8 The full cost rate for government would have gone from a
9 dollar thirty-eight (\$1.38) to two dollars and ten cents
10 (\$2.10) per kilowatt hour.

11 Option Number 3 was just following the --
12 the practice that we've been following with diesel rates,
13 and that is to go through the same methodology, would
14 have resulted in an increase to the dies -- diesel
15 communities of \$3 million per year, reducing the subsidy
16 to \$1.4 million.

17 Option 4 was just providing grid rates to
18 those communities, so, just do away with diesel rates
19 altogether and just go with grid rates. This has --
20 would has -- would have resulted in a decrease in revenue
21 to Manitoba Hydro of 3.3 million plus.

22 Now the plus is because we -- we would
23 expect that, in that circumstance, usage would increase
24 quite considerably and, therefore, the decreased revenue
25 would -- would go up correspondingly. Likewise, with the

1 -- with the subsidy to those communities, the 7.7 million
2 would be, in all likelihood, much higher than that,
3 because of increased usage.

4 We did consider another option. Option
5 Number 5 is a -- is a rebate to -- to residential
6 customers to subsidize them for the high costs in their
7 communities -- cost of living in their community -- and
8 this was, for purposes of our discussion, was an amount
9 of seventy-five dollars (\$75) per month that would appear
10 on the customer bill. This would result in a further
11 reduction in revenue of six hundred and fifty thousand
12 dollars (\$650,000) to Manitoba Hydro and increasing the
13 subsidy to \$5 million.

14 Finally, the four (4) block rate, Option
15 Number 6, we looked at introducing a third block, over
16 and above the -- or, sorry -- a fourth block over and
17 above the 2,000 kilowatt hours. And for purposes of this
18 example, we used a block up to 3,000 kilowatt hours.
19 That fourth block was at fifteen (15) cents per kilowatt
20 hour. Decrease in revenue of, in this case, one hundred
21 thou -- a hundred and fifty thousand dollars (\$150,000)
22 per year, increasing the subsidy to \$4.5 million per
23 year.

24 MS. MYFANWY BOWMAN: And should we take
25 from the fact that Manitoba Hydro is not here seeking a

1 rate increase, that Manitoba Hydro's recommended option
2 at this point is Number 1, or has Manitoba Hydro not come
3 to a conclusion?

4 MR. VINCE WARDEN: No, that is -- that is
5 our position at this time, Option Number 1, no increase.
6 We haven't -- we haven't applied for a rate increase. I
7 mentioned earlier, this will -- will be discussed
8 further, though, at our -- depending what the outcome of
9 the -- of these deliberations are, it is the plan to
10 discuss this further at the January meeting of the
11 Manitoba Hydro Board, so a rate recommendation may be
12 forthcoming from that -- from that meeting.

13 MS. MYFANWY BOWMAN: Thank you. And I
14 would like to ask you more questions about that, but I'm
15 going to move on in the interests of time.

16 I'd like to talk about your residential
17 customers. Can you tell us approximately the number of
18 residential accounts that exceed the 2,000 kilowatt hour
19 rate block, at this point in time?

20 MR. VINCE WARDEN: Yes, the resi --
21 residential customers that exceed 2,000 kilowatt hours
22 represents approximately 7 and a half percent of total
23 residential bills in any one (1) year. There are,
24 however, 38 percent of customers that exceed the 2 --
25 2,000 kilowatt hour threshold at least once during the

1 year.

2 MS. MYFANWY BOWMAN: When you say 7.5
3 percent of total bills, am I understanding you to mean
4 that's 7.5 percent of the total kilowatt hours that are
5 sold to residential customers over the course of a year?

6 MR. ROBIN WIENS: No. What -- what we're
7 saying is that if approximately five (5) -- let's use
8 five hundred (500) in round numbers, customers, that
9 means there are six thousand (6,000) bills issued in the
10 course of the year, 7 and a half percent of those bills
11 have consumption over 2,000 kilowatt hours.

12 MS. MYFANWY BOWMAN: And are those
13 customers that exc -- that when they're exceeding 2,000
14 kilowatt hours, is it, sort of, a small group that are
15 doing it all the time, or a few that are -- or a larger
16 group that are doing less often?

17 MR. ROBIN WIENS: There's a relatively
18 small group that does it on a consistent basis, and there
19 is a larger group that does it occasionally.

20 MS. MYFANWY BOWMAN: And by how much are
21 they, generally speaking -- and I appreciate we're
22 talking in averages, but on average, by how much are they
23 exceeding the two thousand (2,000)?

24 MR. ROBIN WIENS: I -- I, you know, I
25 have seen those numbers at some point in the past, but

1 I'm -- I'm not prepared to speculate today on -- on how,
2 you know, the -- the average amount of the excess.

3 MS. MYFANWY BOWMAN: That's fair enough.
4 And has Hydro noticed any kind of seasonal, or other
5 pattern to that -- to customers exceeding that 2,000
6 kilowatt hours?

7 MR. VINCE WARDEN: As Mr. Wiens
8 indicated, we don't have that analysis at hand. However,
9 the expectation would be that the ex -- exceeding 2,000
10 kilowatt hours would take place during winter months.

11 MS. MYFANWY BOWMAN: And Hydro's
12 suspicion, although unconfirmed, that those customers are
13 likely using at least some electricity for space heat, is
14 that fair?

15 MR. VINCE WARDEN: Yes, my understanding
16 is they do sell electric heaters in northern stores, so,
17 yes.

18 MS. MYFANWY BOWMAN: And what steps has
19 Manitoba Hydro taken to -- to try and find out, with more
20 certainty, why those customers are going over that 2,000
21 kilowatt hour limit?

22 MR. VINCE WARDEN: Well, we work very
23 closely with the communities, and assisting them with
24 Power Smart initiatives. There's been a -- a number of
25 different programs over the past number of months, and I

1 think we're making good progress on that front. The --
2 the rates are set, of course, such that there is a
3 significant deterrent in the rate structure itself to --
4 for customers to avoid that -- going over that two
5 thousand (2,000) hour threshold.

6 MS. MYFANWY BOWMAN: I'm going to ask you
7 to look at the Cost of Service Study Schedule 8.

8 MR. ROBIN WIENS: Would that be in
9 Tab 9, of Mr. Peters' book of documents? You're
10 referring to the 2009?

11 MS. MYFANWY BOWMAN: That's right.

12 MR. ROBIN WIENS: That would be in Tab 9.

13 MS. MYFANWY BOWMAN: That's page 18.

14

15 (BRIEF PAUSE)

16

17

18 MS. MYFANWY BOWMAN: Now, if I read this
19 chart correctly, it was predicted at that point, that by
20 -- for the end -- for the year ending 2009, approximately
21 245,527 kilowatt hours to be sold to residentials at the
22 runoff rate.

23 Is that right?

24 MR. ROBIN WIENS: Now, this would have
25 been a forecast at that time, but that's what was being

1 forecast.

2 MS. MYFANWY BOWMAN: And do you have an
3 actual for that number?

4 MR. ROBIN WIENS: I don't have an actual
5 with me, no.

6 MS. MYFANWY BOWMAN: So, it would be fair
7 to say that those customers, those residential customers
8 who are exceeding 2,000 kilowatt hours, and -- and some
9 of them are doing on a regular basis, they will feel the
10 impact of any change to the variable cost rate.

11 Is that right?

12 MR. ROBIN WIENS: That's right.

13 MS. MYFANWY BOWMAN: Does Manitoba Hydro
14 have any information about the proportion of customers in
15 the diesel zone who are low income?

16 MR. VINCE WARDEN: No, at least, this
17 panel doesn't.

18 MS. MYFANWY BOWMAN: Can the panel tell
19 us what proportion of residential cust -- residential
20 accounts are in arrears at this -- on average at any
21 given time?

22 MR. ROBIN WIENS: We have provided
23 information of that sort to the Public Utilities Board in
24 the past. I don't have that information with me here
25 today.

1 MS. MYFANWY BOWMAN: Are you aware of
2 whether this is a significant issue; are accounts falling
3 into arrears in the diesel zone? Is -- is it a big
4 problem there or not so much?

5 MR. VINCE WARDEN: We -- again, a
6 scenario we've been working very closely with the Chief
7 and Council within those communities and we have, over
8 the past couple of years, made some significant progress
9 in reducing the amount of arrears.

10 MS. MYFANWY BOWMAN: So is -- is that a
11 way of saying that Hydro does not view this as a
12 significant issue in these communities?

13 MR. VINCE WARDEN: It -- it is an issue.
14 It is an issue, there's no doubt about it. It's an issue
15 that probably isn't growing, though, it's -- we're pro --
16 we're making progress and but not to say it's not an
17 issue, it certainly is.

18

19 (BRIEF PAUSE)

20

21 MS. MYFANWY BOWMAN: What stat -- steps
22 does Manitoba Hydro have available to take in the event
23 that -- that accounts fall into arrears and -- and Hydro
24 is of the view that appropriate mitigating steps are not
25 being taken?

1 MR. VINCE WARDEN: Well, again, we've
2 been working very closely with the Chief and Council in
3 those communities. We've -- in -- in situations where
4 the arrears have grown to unreasonable levels we've
5 actually struck agreements with local council and have
6 payment arrangements made such that the arrears can be
7 paid off over -- over a -- a period of time, a reasonable
8 period of time into the future with less onerous late-
9 payment charges than -- than would otherwise be the case.

10 So there are incentives for those
11 communities to keep -- adhere to the payment schedules
12 because otherwise they would revert back to the late-
13 payment charges which are really quite high compared to
14 current costs of -- of borrowing. So those arrangements
15 seem to be working quite well where they're in place and
16 we are -- we are making some progress.

17 MS. MYFANWY BOWMAN: So is Manitoba Hydro
18 not needing to rely on steps such load limiters and
19 disconnections in those communities?

20 MR. VINCE WARDEN: We do use load
21 limiters to some extent, but not widely. There --
22 there's -- in those communities my understanding is they
23 aren't widely used.

24 MS. MYFANWY BOWMAN: And disconnections
25 are not occurring in any significant numbers there?

1 MR. VINCE WARDEN: There are disconnects
2 when payment arrangements fall through but it's very
3 much of a last resort.

4 MS. MYFANWY BOWMAN: I appreciate that
5 it's a last resort, I'm just wondering how often it's
6 happening? Perhaps you could answer that by way of an
7 undertaking and come back with that after the lunch
8 break?

9 MR. VINCE WARDEN: Yes, we can do that.
10 Oh, well, I'm not sure we can get back after the lunch
11 break but we'll -- we'll do our best.

12

13 --- UNDERTAKING NO. 1: Manitoba Hydro to indicate
14 how often disconnections are
15 occurring in the diesel zone
16 communities

17

18 MS. MYFANWY BOWMAN: Thank you. I'll
19 keep my fingers crossed.

20

21 (BRIEF PAUSE)

22

23 MR. ROBERT MAYER: Ms. Bowman, you should
24 realize that in -- in Tadoule Lake there really is no
25 safe time to disconnect. You can have snow any day of

1 the year.

2

3 CONTINUED BY MS. MYFANWY BOWMAN:

4 MS. MYFANWY BOWMAN: I do appreciate
5 that. Thank you.

6 I'm going to turn to CAC Exhibit Number 2.
7 And that is the recommendations for reducing or
8 eliminating the use of diesel fuel to supply power to
9 off-grid communities.

10 I understand that this report was prepared
11 pursuant to the Climate Change and Emission Reduction
12 Act?

13 MR. VINCE WARDEN: Yes.

14 MS. MYFANWY BOWMAN: But -- I think the
15 Board member was asking whether there was a date for that
16 report, and that was actually one (1) of my questions as
17 well.

18

19 (BRIEF PAUSE)

20

21 MR. VINCE WARDEN: It was one (1) of my
22 questions as well. I -- you know, I was -- when I was
23 going through this report over the weekend I couldn't
24 find a date on it, so I -- I -- I would have to confirm
25 that and get back to you, if that's --

1 MS. MYFANWY BOWMAN: If you could --

2 MR. VINCE WARDEN: -- okay?

3 MS. MYFANWY BOWMAN: Thank you.

4

5 --- UNDERTAKING NO. 2: To indicate the date of the
6 report of recommendations for
7 reducing or eliminating the
8 use of diesel fuel to supply
9 power to off-grid communities

10

11 MR. VINCE WARDEN: Yes, I'm sure it was
12 before, but the exact date I don't have.

13

14 CONTINUED BY MS. MYFANWY BOWMAN:

15 MS. MYFANWY BOWMAN: And the purpose of
16 this report was to review options to either reduce or
17 eliminate the reliance of diesel fuel -- on diesel fuel
18 for these communities.

19 Is that right?

20 MR. VINCE WARDEN: That was the purpose,
21 yes.

22 MS. MYFANWY BOWMAN: And given the very
23 brief time available, what is Manitoba Hydro's
24 recommendation or preferred option for these communities?

25 MR. VINCE WARDEN: Well, as -- as the

1 report indicates, that there's really no solution that's
2 as reliable as the diesel generators that we have in the
3 communities right now, they are very reliable, other than
4 a landline to the communities.

5 And even the landline, because it's
6 subject to weather, extreme weather in -- in those
7 locations, may not turn out to be as reliable as the --
8 as the de -- diesel generators themselves. So the -- the
9 cost of extending a landline as indicated in this
10 document, a total of \$225 million, a very hefty price
11 tag, for sure.

12 There are variations around that, but the
13 final analysis, the most cost effective supply is what we
14 have today. It has limitations, of course, in terms of
15 providing electric heat within those communities, which a
16 landline would solve. However, at this point in time, we
17 don't have any particular recommendation. The purpose of
18 this report was to put forward some options and -- and
19 the costs of those options.

20 Having said that, we are in discussions
21 with the Federal Government with -- for the potential of
22 a landline into Shamattawa. That's in -- in the range of
23 \$70 million plus, so, again, it's a very costly venture,
24 but there has been some discussions about how those costs
25 might be shared amongst the parties.

1 MS. MYFANWY BOWMAN: In fact, if I look
2 at page 14 of the report, as I read this, and I will take
3 you right to it, it indicates that:

4 "Manitoba Hydro has applied -- Manitoba
5 Hydro and the Province of Manitoba,
6 together, has submitted a proposal to
7 the Federal Green Infrastructure Fund
8 for significant portions of funds
9 required to connect all four (4)
10 communities to the grid."

11 Is that, in fact, the case?

12 MR. VINCE WARDEN: Yes. Oh, yes, the --
13 the costing of those -- those proposals have been put
14 forward, but my understanding is, at this time, the only
15 serious discussion underway, is with respect, to a
16 transmission line into Shamattawa.

17

18 (BRIEF PAUSE)

19

20 MS. MYFANWY BOWMAN: And does Hydro have
21 a sense of whether that proposal is likely to be
22 approved?

23 MR. VINCE WARDEN: Funding is definitely
24 an issue.

25 MS. MYFANWY BOWMAN: I -- I turn to my

1 friend, Mr. Peters, and ask -- I think I'm out of time.
2 Am I right? I -- I had a lengthy list of other
3 questions, but I will cease and desist.

4 Can I add to my -- to the undertaking that
5 I've asked from Hydro whether they can also indicate the
6 number of accounts in the diesel communities that are
7 currently disconnected?

8 MR. VINCE WARDEN: Yes, we'll get that
9 information.

10

11 --- UNDERTAKING NO. 3: Manitoba Hydro to indicate
12 the number of accounts in the
13 diesel communities that are
14 currently disconnected

15

16 CONTINUED BY MS. MYFANWY BOWMAN:

17 MS. MYFANWY BOWMAN: Thank you. My other
18 request is going to be, given that there have been some
19 changes to the numbers included in the Hydro filing, I'm
20 not sure, are all of those addressed in the answer to my
21 pre-asks, or should I be asking you to re-file the
22 material with the corrections?

23 MR. VINCE WARDEN: We -- we do have the
24 material here that we can re-file. And, for your
25 convenience, there are track changes on the -- on the re-

1 filing, so we can provide that to you.

2 MS. MYFANWY BOWMAN: I'll -- I'll leave
3 that with Ms. Ramage to deal with, as -- when she gets to
4 it, but just to make sure that that's coming, it'll make,
5 I think, everyone's lives easier. Thank you.

6 THE CHAIRPERSON: Thank you, Ms. Bowman.
7 Okay, we'll take a break, and we'll be back sharp at
8 11:00, and that'll be time for INAC's cross-examination.

9
10 --- Upon recessing at 10:49 a.m.

11 --- Upon resuming at 11:05 a.m.

12

13 THE CHAIRPERSON: Follow-up question, if
14 you don't mind, Ms. Ramage and Mr. Warden? Is Manitoba
15 Hydro aware of any fires caused by space heaters in the
16 four (4) communities?

17 MR. VINCE WARDEN: Not aware of any, we -
18 - we can --

19 THE CHAIRPERSON: Would you mind taking
20 as an undertaking, if there's any history of fires caused
21 by space heaters, or deaths -- of injuries of any nature
22 as a result of the experience?

23 MR. VINCE WARDEN: Yes, we will do that.

24 THE CHAIRPERSON: Thank you.

25

1 --- UNDERTAKING NO. 4: Manitoba Hydro to indicate if
2 aware of any fires caused by
3 space heaters, and deaths or
4 injuries, of any nature, as a
5 result
6

7 MR. ROBERT MAYER: Mr. Warden, I
8 specifically remember that being a significant problem in
9 Churchill prior to the -- to the landline going in there,
10 especially on the flats where there were a number of
11 fires that -- some cases resulted in death.

12 Now, that's been quite some time ago
13 because the landline, I think, has been in there for a
14 few years.

15 THE CHAIRPERSON: In any case, we
16 appreciate your undertaking there.

17 Ms. Anderson-Lindsay...?
18

19 CROSS-EXAMINATION BY MS. MARLAINE ANDERSON-LINDSAY:

20 MS. MARLAINE ANDERSON-LINDSAY: Thank
21 you, sir.

22 My questioning I anticipate to be quite
23 brief. Mr. Peters and Ms. Bowman have occupied the
24 primary areas that I was interested in. Primarily by way
25 of curiosity because, of course, INAC's engagement here

1 is quite limited.

2 However, the areas that I expect to follow
3 through on relate to evidence, as to the status of the
4 settlement agreement, so because, of course, these are
5 our witnesses, so I'm going to have to draw it out
6 through them and, as well, clarification regarding the
7 nature of the relationship between Indian Affairs and
8 Canada and Hydro. And then I'll have a short follow-up
9 with regard to the cross-examination of Mr. Peters and
10 Ms. Bowman.

11 So the first document, and I appreciate
12 Mr. Peters letting us use his exhibit, will be within the
13 book, Manitoba Hydro Exhibit 1 and that is Tab 10 in PUB-
14 2, and I'm going to refer you to page 5, lines 29 to 31
15 under Status of Settlement Agreement.

16 Hydro indicates that although the parties
17 to the agreement have conducted themselves as -- as if
18 the agreement were in place and in accordance with the
19 minutes of settlement, of course, as consistent with your
20 presentation here today, Mr. Warden.

21 To be -- to clarify, it is true that the
22 agreement is not only tentative, but it's still in the
23 drafting stages.

24 Isn't that true?

25 MR. VINCE WARDEN: Well, as far as

1 Manitoba Hydro is concerned, all the drafting has taken
2 place long ago. There are some outstanding articles yet
3 to be agreed to, but as we discussed earlier, those
4 articles don't involve Manitoba Hydro.

5 MS. MARLAINE ANDERSON-LINDSAY: Correct,
6 but to characterize the agreement as tentative, as
7 opposed to, still in draft, would be taking it a little
8 bit far. We are looking at an agreement where there are
9 still provisions being drafted, correct?

10 MR. VINCE WARDEN: With respect to the
11 two (2) articles referenced, that may or may not be
12 correct. I'm not aware of that.

13 MS. MARLAINE ANDERSON-LINDSAY: Thank
14 you, sir. And I think that, perhaps we could, in terms
15 of the characterization of how the parties have been
16 behaving, perhaps it would be more accurate to say the
17 parties have conducted themselves in accordance with the
18 minutes and certain provisions of the still, draft
19 settlement agreement.

20 Would that sound accurate to you, sir?

21 MR. VINCE WARDEN: I'll accept that, yes.

22 MS. MARLAINE ANDERSON-LINDSAY: And we'll
23 just give this Board an example, regarding the
24 undepreciated capital cost to March 31st of '04, you're
25 aware of those costs, of course, sir?

1 MR. VINCE WARDEN: Yes.

2 MS. MARLAINE ANDERSON-LINDSAY: And the
3 draft agreement included -- and this -- I'm -- in this
4 case, I'm referring to the one that this Board saw in
5 December of 2004; that draft agreement included a
6 provision whereby the First Nations agreed to pay 69
7 percent of those costs to Hydro.

8 Is that correct?

9 MR. VINCE WARDEN: Yes.

10 MS. MARLAINE ANDERSON-LINDSAY: And that,
11 in fact, has been paid.

12 MR. VINCE WARDEN: Correct.

13 MS. MARLAINE ANDERSON-LINDSAY: So,
14 therefore, that provision would have to change to reflect
15 the payment of same. This is a simple drafting issue.

16 MR. VINCE WARDEN: No, we have to go back
17 to the draft agreement to make sure that that was covered
18 off, but I believe, the last time I looked at the
19 agreement, I believe provision was made in there for the
20 payments and -- scheduled payments -- and provision for
21 interest if payment weren't made by certain dates.

22 So I believe the -- the agreement
23 contemplated the payments being made.

24 MS. MARLAINE ANDERSON-LINDSAY: Correct,
25 and those payments have since been made, so any final

1 agreement would reflect that?

2 MR. VINCE WARDEN: You would expect that

3 --

4 MS. MARLAINE ANDERSON-LINDSAY: That's it

5 --

6 MR. VINCE WARDEN: Correct, yes.

7 MS. MARLAINE ANDERSON-LINDSAY: And for
8 ultimate clarity for this Board, could you please confirm
9 that none of the parties, that includes Hydro, MKIO,
10 Canada and the First Nations, have actually executed the
11 draft settlement agreement?

12 MR. VINCE WARDEN: Correct.

13 MS. MARLAINE ANDERSON-LINDSAY: Okay.
14 Regarding the Manitoba Hydro 1, so that we're in the same
15 document, still on page 5, lines 36 and -- excuse me,
16 lines 36 and 37, just at the bottom of the page.

17 MR. VINCE WARDEN: Yes.

18 MS. MARLAINE ANDERSON-LINDSAY: And,
19 again, this reflects your comments earlier today, there
20 appears to be two (2) outstanding matters as between MKO
21 and Canada?

22 MR. VINCE WARDEN: Yes.

23 MS. MARLAINE ANDERSON-LINDSAY: And this
24 again simply goes to the settlement agreement that was
25 provided to the PUB in 2004, the language of certain

1 sections were prospective, correct?

2 MR. VINCE WARDEN: Yes.

3 MS. MARLAINE ANDERSON-LINDSAY: Right.

4 For example, authorities would be sought, if they were
5 obtained, monies would flow, so and so -- so forth,
6 correct?

7 MR. VINCE WARDEN: Yes.

8 MS. MARLAINE ANDERSON-LINDSAY: Okay. So
9 we appreciate that the negotiations were, and continue to
10 be, covered by confidentiality agreements. I'm going to
11 have to be a little bit cagy around this, but by now, of
12 course, certain sections, and we've spoken to one (1),
13 would no longer be perspective, correct, they would be
14 complete?

15 MR. VINCE WARDEN: Yes, although true, I
16 -- I would have to refresh my memory by looking at the
17 agreement. I'd -- I think the agreement contemplated
18 that eventuality and I -- I don't believe there would be
19 any major redrafting required, if any.

20 MS. MARLAINE ANDERSON-LINDSAY: Right,
21 because, for example, where authorities would be sought,
22 authorities were obtained and, therefore, the agreement
23 would reflect same?

24 MR. VINCE WARDEN: Right.

25 MS. MARLAINE ANDERSON-LINDSAY: Right.

1 And are you -- you are aware, sir, that since 2004,
2 additional provisions have been introduced or requested
3 by one (1) or more parties?

4 MR. VINCE WARDEN: Yes.

5 MS. MARLAINE ANDERSON-LINDSAY: Okay.

6 And if there is accord on these additional provisions,
7 the agreement may now be subject to, among other things,
8 the availability of additional authorities.

9 Does that sound reasonable to you, sir?

10 MR. VINCE WARDEN: I'm sorry, I missed
11 that last part. Additional...?

12 MS. MARLAINE ANDERSON-LINDSAY:

13 Additional authorities.

14 MR. VINCE WARDEN: Yeah, I -- I -- I'm
15 not sure I can comment on that.

16 MS. MARLAINE ANDERSON-LINDSAY: Okay.

17 That's fair, sir.

18 And you would also be aware that since
19 this agreement was presented to the Board in '04, that
20 the First Nations have filed litigation against Canada?

21 MR. VINCE WARDEN: I'm not aware of that.

22 MS. MARLAINE ANDERSON-LINDSAY: Oh, no?

23 You weren't aware of them filing a -- four (4) actions in
24 the Federal Court with respect to claims for insufficient
25 funding for electrical costs between '94 and 2004?

1 MR. VINCE WARDEN: No, I -- I,
2 personally, wasn't aware of that.

3 MS. MARLAINE ANDERSON-LINDSAY: Is your
4 Corporation aware of that, since you're speaking on
5 behalf of your Corporation?

6 MR. VINCE WARDEN: Well, I -- apparently
7 legal counsel was aware of it, but I wasn't, personally.

8 MS. MARLAINE ANDERSON-LINDSAY: And if we
9 are speaking about the issue of funding for electrical
10 costs, that's funding provided by Indian Affairs to the
11 First Nations between 1994 and 2004.

12 Would this recall, to mind, the variance
13 issue that showed up in the 2004 draft of the settlement
14 agreement, specifically in Article 11? And I appreciate
15 we're talking about things that happened five (5) years
16 ago.

17 But do you recall this, to mind?

18 MR. ROBERT MAYER: You should also be
19 aware you're talking about things that we don't have
20 copies of.

21 MS. MARLAINE ANDERSON-LINDSAY: Oh, okay,
22 and that's fair. The only -- the only thing I'm trying
23 to point out for Hydro, and particularly for this Board,
24 is that we had a draft in 2004. That draft -- things
25 have happened since then, some minor, some not so minor,

1 that draft is going to need some changes.

2 MR. ROBERT MAYER: We're very interested
3 in this discussion, let me tell you, because up until now
4 it has been our understanding that we were just waiting
5 for INAC to sign. And I think you will see that that is
6 reflected in the previous orders.

7 MS. MARLAINE ANDERSON-LINDSAY: Yes, I am
8 aware. I did see the previous orders.

9 MR. ROBERT MAYER: We are very interested
10 in this discussion.

11 MS. PATTI RAMAGE: If I could interject
12 at this point just to -- to clarify sort of Manitoba
13 Hydro's view in terms of the agreement, if it'd be of
14 assistance, is that we may be talking in semantics
15 because there is -- time has gone by whether you execute
16 agreements, it's effective as a date of, and leave it, or
17 whether you want to change it to update, what has
18 happened, is a -- a question of -- of legal agreement.
19 We could just as easily go back and say "as of this date"
20 for the provisions that affect Manitoba Hydro.

21 And I think that's Manitoba Hydro's view
22 of it and I -- I thought I might save a little time by --
23 by interjecting that, not with respect to other -- these
24 clauses as between the communities and Canada, I can't
25 comment on those, that way.

1 MR. MICHAEL ANDERSON: Mr. Chair, sorry,
2 I don't mean to interrupt Ms. Anderson-Lindsay, but I
3 must express some significant discomfort if -- if INAC is
4 preparing to engage Mr. Warden in a discussion on
5 specific sections and provisions of an agreement that the
6 three (3) parties agreed to provide in a concurred, or
7 common draft form, to the Board, in confidence, in
8 December 2004.

9 It's my understanding that Board counsel
10 has not even reviewed that document that we provided in
11 confidence, at your request, to support the first interim
12 ex parte order on December 24th, 2004, that led to an
13 almost halving of the rates.

14 Now I'm -- if the Board wishes to have a
15 discussion in detail of the provisions, perhaps the
16 parties could consider engaging, again, in some mat --
17 proceeding in confidence with the Board to discuss it in
18 detail. But, to discuss it in an open forum on the
19 record, I -- I must indicate MKO's -- and on behalf of
20 the diesel First Nations, considerable discomfort in
21 doing so.

22 MS. MARLAINE ANDERSON-LINDSAY:
23 Certainly, sir, this is as far as I wanted to go, and no
24 further. The point merely is, things have changed,
25 drafting has changed. We are not at the stage where any

1 of the parties have executed the agreement, and it would
2 be inaccurate to so represent.

3 It would, however, be accurate to
4 represent that the parties certainly have been acting in
5 accordance with certain of the provisions, and so, we're
6 in complete agreement with Hydro on that point.

7 MR. VINCE WARDEN: Well, I -- I don't
8 think Manitoba Hydro disagrees with any -- anything
9 you've said, except perhaps, for the potential for
10 redrafting. I don't believe that a major redrafting is
11 required. Albeit, the principle issues that Manitoba
12 Hydro is interested in are being adhered to in practice.
13 And I think if any re-write is required, that could be
14 accomplished very readily and quickly, if -- if we had
15 willing -- parties willing to sign the agreement.

16

17 CONTINUED BY MS. MARLAINE ANDERSON-LINDSAY:

18 MS. MARLAINE ANDERSON-LINDSAY: Right.
19 And insofar as Hydro is concerned, the fundamental mat--
20 matters, still at issue, are between the First Nations
21 and Canada.

22 That's correct, sir?

23 MR. VINCE WARDEN: Yes.

24 MS. MARLAINE ANDERSON-LINDSAY: And you
25 are aware, of course, that Canada has relayed its

1 intention to address these ongoing matters in writing to
2 the First Nations and MKIO by the end of this month?

3 MR. VINCE WARDEN: That's my
4 understanding, yes.

5 MS. MARLAINE ANDERSON-LINDSAY: Thank
6 you, sir. I'm going to turn now to Manitoba Hydro 2,
7 which is located at Tab 9, of PUB-2, this is the
8 prospective Diesel Cost of Survey Study. And page 3,
9 line 6 and 7, underneath "Government and First Nation
10 Education":

11 "Hydro indicates that government
12 customers include a First Nation
13 community accounts, which are fully
14 funded by INAC."

15 To clarify, sirs, you're aware that First
16 Nations receive funding from a number of sources, which
17 do include INAC?

18 MR. ROBIN WIENS: Yes, we are generally
19 aware of that.

20 MS. MARLAINE ANDERSON-LINDSAY: Okay.
21 And you, of course, would be aware that INAC funds on a
22 formula basis according to Federal policy?

23 MR. ROBIN WIENS: Yes, although I can't
24 recite chapter and verse of that.

25 MS. MARLAINE ANDERSON-LINDSAY: Nor would

1 I expect you to sir -- sir, because of course, Hydro
2 doesn't get involved in funding matters between the First
3 Nations and INAC, that's true?

4 MR. ROBIN WIENS: That's quite true.

5 MS. MARLAINE ANDERSON-LINDSAY: So, it
6 would be particularly outside Hydro's knowledge to
7 actually suggest that these Hydro accounts are fully
8 funded by INAC.

9 Is that true, sir?

10 MR. ROBIN WIENS: Well, our understanding
11 is that education accounts were funded 100 percent by
12 INAC. And if that's wrong, nobody has told us that to
13 date.

14 MS. MARLAINE ANDERSON-LINDSAY: Because
15 you wouldn't be involved in that relationship, and you
16 simply wouldn't know for certain.

17 Is that true, sir?

18 MR. ROBIN WIENS: I'm not involved in it,
19 nor is Manitoba Hydro involved in that relationship. We
20 were relying on information that was relayed to us by our
21 partners in that negotiation.

22 MR. ROBERT MAYER: And that was evidence
23 in other proceedings, I recall that specifically.

24 MS. MARLAINE ANDERSON-LINDSAY: Yes, that
25 -- that's -- I think you would be referring to Mr. Mills'

1 testimony that was provided as an exhibit, where he spoke
2 at length about what formula funding looks like, and it's
3 not linked to actual costs.

4

5 CONTINUED BY MS. MARLAINE ANDERSON-LINDSAY:

6 MS. MARLAINE ANDERSON-LINDSAY: At line -
7 - same document, page 5, lines 10 to 12, under "Cost
8 Components," Hydro, again, indicates that:

9 "The diesel First Nations are [in
10 brackets] (funded by INAC)."

11 To clarify, the contributions being
12 discussed here are with respect to future capital
13 expenditures.

14 Is that correct?

15 MS. PATTI RAMAGE: Sorry, could you
16 repeat the reference?

17 MS. MARLAINE ANDERSON-LINDSAY: Yes, of
18 course. Page 5 of the Diesel Cost of Survey Study, lines
19 10 to 12, it's talking about rate design and
20 contributions to be made by government customers, diesel
21 First Nations funded by INAC in respect to
22 infrastructure.

23

24 CONTINUED BY MS. MARLAINE ANDERSON-LINDSAY:

25 MS. MARLAINE ANDERSON-LINDSAY: You have

1 that reference?

2 MR. ROBIN WIENS: Yes.

3 MS. MARLAINE ANDERSON-LINDSAY: Okay. So
4 the contributions being discussed here with the capital
5 'C', these are with respect to future capital
6 expenditures?

7 MR. ROBIN WIENS: These are actually with
8 respect to the capital expenditures remaining on the
9 books as at March 31st, 2004.

10 MS. MARLAINE ANDERSON-LINDSAY: Okay, so
11 we're talking about the accumulated deficit?

12 MR. ROBIN WIENS: Right. But I'll add
13 that the intent was that the same principles would apply
14 to future capital expenditures.

15 MS. MARLAINE ANDERSON-LINDSAY: Okay.

16 MR. ROBIN WIENS: It's just that there
17 have not been other -- with one (1) exception,
18 contributions received, in respect of capital
19 expenditures, since March 31st, 2004.

20 MS. MARLAINE ANDERSON-LINDSAY: Okay.
21 What I'm simply trying to clarify here is, you've
22 indicated the diesel First Nations are funded, in respect
23 of those contributions and, on a perspective basis that
24 certainly isn't known to you, whether or not, they will
25 be funded by INAC, because your relationship is with the

1 First Nations in this regard.

2 Is that correct?

3 MR. ROBIN WIENS: On a perspective basis,
4 that is true. This -- this section was referring to a
5 retrospective.

6 MS. MARLAINE ANDERSON-LINDSAY: Thank
7 you, sir.

8 If we could turn to Schedule 12, which is
9 located at page 22, and, again, by way of clarifying the
10 relationship here, we've already had this spoken to by
11 you, Mr. Wiens, at the bottom, INAC diesel contribution.

12 MR. ROBIN WIENS: Yes.

13 MS. MARLAINE ANDERSON-LINDSAY: And you
14 confirm that this was paid, correct?

15 MR. ROBIN WIENS: Yes.

16 MS. MARLAINE ANDERSON-LINDSAY: But it
17 was not paid to you by INAC, was it, sir?

18 MR. ROBIN WIENS: My understanding is
19 that it was paid by the First Nations.

20 MS. MARLAINE ANDERSON-LINDSAY: Thank
21 you, sir. So it's actually inaccurate to say "INAC
22 diesel contribution" there?

23

24 (BRIEF PAUSE)

25

1 MR. VINCE WARDEN: I think, what we just
2 want to make clear on the record, even though the -- the
3 contributions flowed through the First Nations, INAC was
4 a party to the yet-to-be-signed agreement and I -- for
5 the record, we just want to make that clear.

6 MS. MARLAINE ANDERSON-LINDSAY: Of
7 course, sir. We're not suggesting that Canada is not a
8 part of the draft tripartite agreement.

9 What we're simply indicating here is that
10 the customer is not INAC, and that under that table, the
11 customer, is indicated as being INAC, but in that case
12 the money was paid by the First Nations, who is the
13 customer.

14 MR. VINCE WARDEN: Yeah, it's -- it's --
15 technically you're -- you're correct. The customer is
16 not INAC.

17 MS. MARLAINE ANDERSON-LINDSAY: Thank
18 you, sir.

19

20 (BRIEF PAUSE)

21

22 MS. MARLAINE ANDERSON-LINDSAY: There was
23 just one (1) further question I'd like to ask because we
24 have addressed my points through all these previous
25 questions. In the cross by Ms. Bowman, she asked you

1 about the number of customers and you indicated that
2 there were forty-four (44) Federal Government customers,
3 and I -- I'm wondering if you could indicate who those
4 customers are, and whether they include the First
5 Nations?

6 DR. KATHI AVERY KINEW: Excuse me, isn't
7 this customer accounts, not customers.

8 MS. MARLAINE ANDERSON-LINDSAY: Okay,
9 customer accounts.

10 DR. KATHI AVERY KINEW: Yeah.

11 MS. MARLAINE ANDERSON-LINDSAY: Thank
12 you, Dr. Kinew.

13

14 CONTINUED BY MS. MARLAINE ANDERSON-LINDSDAY:

15 MS. MARLAINE ANDERSON-LINDSAY: So, there
16 were forty-four (44) govern -- Federal Government
17 accounts, do those include the First Nations education
18 accounts?

19

20 (BRIEF PAUSE)

21

22 MS. MARLAINE ANDERSON-LINDSAY: Because
23 in the numbers that you provided Ms. Bowman, you
24 indicated four hundred (400) -- five hundred and thirty-
25 four (534) residential accounts, one hundred and fourteen

1 (114) general service accounts, forty-four (44) Federal,
2 twenty-one (21) Provincial Government, and then some road
3 lighting accounts.

4 So, I would assume that you have subsumed
5 the First Nations accounts in these Federal Government
6 account numbers.

7 MR. VINCE WARDEN: I think that's a fair
8 assumption, yes.

9 MS. MARLAINE ANDERSON-LINDSAY: Okay.
10 So, how many of these characterized as Federal Government
11 accounts are actually First Nations accounts?

12 MR. VINCE WARDEN: First Nations -- to be
13 clear, we're referring to direct government accounts,
14 like the RCMP and Health Services, and -- well, no Health
15 Service -- and education accounts. So the -- the --
16 included in the forty-four (44) would be all of the First
17 Nation education accounts.

18 MS. MARLAINE ANDERSON-LINDSAY: And those
19 First Nation education accounts are paid by the First
20 Nations to Manitoba Hydro, correct?

21 MR. VINCE WARDEN: Yes.

22 MS. MARLAINE ANDERSON-LINDSAY: Thank
23 you, Sir. Those are my questions.

24 THE CHAIRPERSON: Thank you. Thank you
25 very much.

1 Mr. Anderson, for MKIO...?

2 MR. ROBERT MAYER: Would you start by
3 clarifying, Mr Anderson, what you are? We've been
4 calling you MK (sic) all the time, and if I recall
5 correctly when they stuck the 'I' into the name, you said
6 you would still be called MKO.

7 Are we still calling you MKO up north?

8 MR. MICHAEL ANDERSON: Mr. Vice Chair,
9 thank you very much. I was -- had intended to address
10 that in my opening comments, thank you for the reminder
11 and the question.

12 The -- for the -- for the purposes of the
13 record, for the transcript, and others, we would continue
14 to be MKO. I can also advise, that although we had
15 adopted the -- the use of our self-incorporated entities
16 description as the Manitoba Keewatinook Ininew Okimowin -
17 - and I wanted to compliment Mr. Peters for his excellent
18 pronunciation at the beginning -- MKO is now consistently
19 using its incorporated name, the Manitoba Keewatinowi
20 Okimakanak Inc.

21 So we would be MKO, and I believe on the
22 circ -- on the distribution list that I am -- have
23 indicated that I am to be addressed in that manner. So,
24 MKO, we would continue to be, and the correspondence
25 would be the Manitoba Keewatinowi Okimakanak Inc.

1 So, thank you for that question and
2 clarification.

3

4 CROSS-EXAMINATION BY MR. MICHAEL ANDERSON:

5 MR. MICHAEL ANDERSON: I had --
6 everyone's pretty much touched on the materials before
7 me. In terms of the -- the scope and depth of my
8 questions, clearly it's an information proceeding, the
9 opportunity to go into considerable depth isn't here.
10 And if we do have a rate proceeding in the future then I
11 would certainly have quite a lot more to -- to ask.

12 I had just wanted to follow-up on the
13 questions asked by Ms. Bowman and Ms. Anderson-Lindsay,
14 about the accounts. And you had indicated that there
15 were forty-four (44) Federal Government accounts of which
16 First Nation education accounts were included.

17 Mr. Warden, would that also include the
18 First Nation government accounts, in terms of Band
19 offices, arenas, gener -- and other general service
20 accounts?

21 MR. VINCE WARDEN: I don't believe so,
22 Mr. Anderson.

23 MR. MICHAEL ANDERSON: Thank you. So,
24 those are all in -- subsumed into your -- your number of
25 a hundred and fourteen (114) -- one hundred and fourteen

1 (114) general service accounts?

2 MR. VINCE WARDEN: Yes.

3 MR. MICHAEL ANDERSON: And just to
4 clarify the record. A similar question I asked in the
5 '08 General Rate Application, there are no customers that
6 you are aware of who are billed in the name of Indian and
7 Northern Affairs Canada in any of these four (4)
8 communities?

9 MR. VINCE WARDEN: I believe that to be
10 correct, Mr. Anderson.

11 MR. MICHAEL ANDERSON: Thank you. Just
12 as an item of clarification, do you have the numbers with
13 you to further sift the forty-four (44) Federal
14 Government accounts between the First Nation education
15 accounts and other Federal? How many First Nation for --
16 education accounts are there in the four (4) communities?

17

18 (BRIEF PAUSE)

19

20 MR. VINCE WARDEN: We don't have the
21 details of that here, Mr. Anderson. We -- we can -- we
22 can certainly get that if you require it.

23 MR. MICHAEL ANDERSON: Well, given that
24 both CAC and INAC had sought clarification, or at least
25 in terms of a description of the customer accounts, if we

1 could be provided that after lunch, that would be great.
2 Thank you.

3 MR. VINCE WARDEN: Yes.

4 MR. BOB PETERS: Mr. Anderson, my turn to
5 interrupt from across this room. At Tab 4 of the book of
6 documents there's an extract from Order 159 of '04. And
7 on page 8 of the extract, the last line indicates that:

8 "As well, First Nation education
9 accounts..."

10 It's does use the words "fully funded,"
11 but "fully funded by INAC," but leaving that aside,
12 "(approximately twenty-nine (29) accounts)," in brackets.

13 I suspect the Board derived that from
14 evidence at a prior hearing, so if anything turns on it,
15 you can follow it up, but I just wanted to leave that
16 number with you.

17 MR. MICHAEL ANDERSON: Thank you very
18 much, Mr. Peters, as always. And while I'm thanking Mr.
19 Peters, I had -- I believe I forgot to -- my traditional
20 thank you to Board counsel for preparing the book of
21 documents that tends to be re -- used as the reference
22 for all of us, and I just wanted to express my
23 appreciation at this time.

24

25 CONTINUED BY MR. MICHAEL ANDERSON:

1 MR. MICHAEL ANDERSON: Ms. Bowman --
2 similar to these questions, Ms. Bowman asked about the
3 discussions on other capital costs and whether there was
4 a concern by Manitoba Hydro as to whether these costs
5 would eventually be paid.

6 Mr. Warden, I wanted to clarify, for the
7 record, though that the -- the rough percentage of
8 division of any capital costs that would be incurred, any
9 dollar of capital cost incurred in the diesel service
10 area in round numbers, would be broken down on the
11 following basis. And I've just circ -- I'm looking for
12 your confirmation.

13 69 percent for First Nation accounts, 6
14 percent for other Federal, and 25 percent for Manitoba.

15 Is that your recollection and
16 understanding, Mr. Warden?

17 MR. VINCE WARDEN: Well, it's based on
18 the customer count -- accounts within the communities at
19 any -- any given time and the energy consumed by those
20 accounts. So, even though what -- the numbers you
21 recited are -- are what was used or close to what was
22 used in the settlement agreement yet to be signed, they
23 don't necessarily represent the numbers that would be
24 going forward for purposes of agreements on funding
25 capital expenditures in specific communities.

1 MR. MICHAEL ANDERSON: But for discussion
2 and understanding purposes in this proceeding, that's
3 approximately the correct range that would be examined?

4 MR. VINCE WARDEN: For purposes of our
5 discussion, we can say that's approximately correct, yes,
6 within a -- within a certain range, plus or minus 10
7 percent.

8 MR. MICHAEL ANDERSON: And -- thank you,
9 Mr. Warden. And the other purpose of my question was to
10 highlight that there are multiple other parties to be
11 engaged in the discussions to receive confirmation and
12 payment to the capital expenditures in the diesel zone.

13 Is that correct?

14 MR. VINCE WARDEN: There are other
15 parties, yes.

16 (BRIEF PAUSE)

17
18 MR. MICHAEL ANDERSON: I wanted to, if I
19 might, with your assistance, Mr. Warden, go back briefly
20 to a bygone era, and the discussion of Zone 3 rates, and,
21 as I've raised this in previous proceedings, and the
22 revenue cost coverage.

23 The last time that we had a proceeding, is
24 it your recollection, Mr. Warden, that the -- the ac --
25 that absent a contribution of net export revenues, that

1 the revenue cost coverage of residential customers is
2 approximately 65 percent?

3 Is that correct, Mr. Warden?

4 MR. VINCE WARDEN: Approximately correct,
5 yes.

6 MR. MICHAEL ANDERSON: Thank you. And
7 that the revenue cost coverage Mr. Peters referred to and
8 that you discussed is a result of the application of net
9 export revenues? That is, sorry, an RCC of 99 percent.
10 That was discussed by Mr. Peters.

11

12 (BRIEF PAUSE)

13

14 MR. VINCE WARDEN: So you were referring
15 to an RCC of 95 percent per residential customers?

16 MR. MICHAEL ANDERSON: I believe the --
17 the number -- yes, Mr. Warden.

18 MR. VINCE WARDEN: Yes, that's -- that's
19 approximately right.

20 MR. MICHAEL ANDERSON: Thank you. And so
21 going to the tab for the Diesel Cost of Service Study as
22 referred to -- that's Tab 9 in Mr. Peters' book of
23 documents -- and there was the discussion earlier this
24 morning of a revenue cost coverage of approximately 82
25 percent, that in the case of the diesel customers,

1 whether it be through direct contribution by grid
2 customers or application of an export revenue, the
3 revenue -- the actual revenue cost coverage of
4 residential customers in the diesel zone is higher than
5 the revenue cost coverage of residential customers in the
6 grid zone, absent the contribution of net export
7 revenues.

8 Is that correct?

9 MR. VINCE WARDEN: Could you give your
10 reference on that, Mr. Anderson, please?

11 MR. MICHAEL ANDERSON: I -- I'm sorry Mr.
12 Warden. It's Tab 9 -- Mr. Peters' book, Tab 9, page 15.

13 MR. VINCE WARDEN: So we're seeing RCC
14 there of 12.9 percent.

15 Is that what you're referring to?

16 MR. MICHAEL ANDERSON: The revenue cost
17 requirement of 82 percent. I'm looking at Schedule 5.

18 MR. VINCE WARDEN: I'm looking at
19 Schedule 5, page 15. I'm seeing a revenue cost cover --
20 coverage of 12.9 percent.

21 MR. MICHAEL ANDERSON: I was talking
22 about the revenue cost coverage that was intended above
23 there, Mr. Warden, the remnant from the Zone 3 rates.

24 MR. VINCE WARDEN: So that -- you --
25 you're referring to the -- the credit that's applied to

1 the diesel zone as the remnant from this old Zone 3,
2 which is the eight eighty-two three eighty three
3 (882,383), 82 percent -- equating to an 82 percent
4 revenue cost coverage in the -- the old Zone 3.

5 Is that correct, Mr. Anderson?

6 MR. MICHAEL ANDERSON: That's correct.

7 MR. VINCE WARDEN: I'm not sure of your
8 point though. Would you like to re-ask your question?

9 MR. MICHAEL ANDERSON: That for rate-
10 setting purposes, that Manitoba Hydro is applying a
11 revenue cost coverage of 82 percent for the residential
12 customers based on the old Zone 3 rates and that absent
13 the application of an export revenue to grid customers,
14 the RCC is 65 percent?

15 MR. VINCE WARDEN: Well, as -- as we
16 agreed earlier, prior to the allocation in the Cost of
17 Service Study of export revenues, the revenue cost
18 coverage for residential would be approximately 65
19 percent, yes.

20 MR. MICHAEL ANDERSON: Thank you, Mr.
21 Warden.

22 MR. ROBIN WIENS: I might just add to
23 that, Mr. Chairman, that the figure cited by Mr. Anderson
24 would have been a -- a derivation of a cost of service
25 study that would have been prior to 2006. So it would be

1 a different methodology than the cost of service studies
2 that have been recently filed by Manitoba Hydro.

3 MR. MICHAEL ANDERSON: I understand that,
4 Mr. Wiens, thank you. It's just for discussion purposes
5 on the process of making whole and considering subsidies
6 and so forth. Thank you.

7 Mr. Warden, at a risk of entering into a
8 matter that might be included within the tentative
9 settlement agreement -- and if -- if I do, then that
10 would be your response -- you referred in your response
11 to questions asked by Ms. Bowman to different
12 methodologies that might lead to an earlier amortization
13 or retirement date of the accumulated deficit.

14 Can you describe, in general terms, what
15 those might be? What different methodologies might be
16 applied to arrive at an earlier retirement date?

17 MR. VINCE WARDEN: Well, I think the only
18 reference there, it wasn't to the agreement but it was
19 back to -- there -- there have been, as you may be aware,
20 Mr. Anderson, before this Board there have been various
21 methodologies discussed with respect to the Cost of
22 Service Study, the corporate Cost of Service Study, not
23 the diesel Cost of Service Study but the corporate Cost
24 of Service Study. And depending on which methodol --
25 methodology is used for the allocation of export

1 revenues, we can get some quite different results.

2 So that was the point I was making
3 earlier.

4 MR. MICHAEL ANDERSON: Thank you, Mr.
5 Warden.

6

7 (BRIEF PAUSE)

8

9 MR. MICHAEL ANDERSON: In terms of the
10 amounts that have been discussed as being credited toward
11 the cost of service for diesel communities from net
12 export revenues, I just wanted to confirm that, to date,
13 those -- none of those monies -- and I believe Ms. Bowman
14 may have asked this -- have been applied toward the cost
15 of service for rate-setting purposes.

16 Is that correct?

17 MR. ROBIN WIENS: That is correct.

18 MR. MICHAEL ANDERSON: And the current
19 evidence is that that would not take place until May 1st,
20 2014.

21 Is that correct?

22 MR. ROBIN WIENS: Also correct.

23 MR. MICHAEL ANDERSON: And in -- at such
24 time if -- if you could provide your estimate to the best
25 that you can at this time, do you have any forecast of

1 what the amount of those net export revenue credits might
2 be?

3 Would they be the same as that referred to
4 by Mr. Peters in his reference to the prospective Cost of
5 Service Study at 1.44 -- \$1.544 million?

6 MR. ROBIN WIENS: Again, Mr. Anderson,
7 there's a range of results that could come about as a
8 resu -- depending on -- on the version of the Cost of
9 Service Study that is reviewed and ultimately accepted.
10 But the figure that Mr. Peters has offered is a -- is a
11 reasonable one.

12

13 (BRIEF PAUSE)

14

15 MR. MICHAEL ANDERSON: And in round --
16 round numbers, Mr. Wiens, were we to advance the
17 application of a net export revenue toward, directly
18 toward the cost of service for rate-setting purposes, can
19 you indicate approximately what that would do to the
20 rates in the diesel communities?

21 That is, what effect would that have, Mr.
22 Wiens?

23 MR. ROBIN WIENS: Well, I -- I'm -- what
24 I'm simply doing here is that I'm -- I'm taking a --
25 taking the 1 1\2 million that Mr. Peters referenced and

1 I'm dividing it by the forecast consumption in the diesel
2 zone in '09/'10, as a proxy. We don't believe that that
3 would apply before 2014. But it would work out to about
4 eleven (11) cents a kilowatt hour, in round numbers.
5 That would be amount by which the full cost rate or
6 surcharge or some combination of the two (2) could be
7 reduced.

8 MR. MICHAEL ANDERSON: Thank you, Mr.
9 Wiens.

10

11 (BRIEF PAUSE)

12

13 MR. MICHAEL ANDERSON: As a matter of
14 clarification, Mr. Wiens, in respect to the
15 classification of First Nations accounts, as it's
16 presently practised by Manitoba Hydro in the
17 classification accounts and the -- and the issuing of
18 bills, is it your understanding that Manitoba Hydro
19 classifies First Nation accounts as to whether or not
20 they receive funding from Indian and Northern Affairs
21 Canada as an education account?

22 MR. ROBIN WIENS: Yes.

23 MR. MICHAEL ANDERSON: And is it not
24 Manitoba Hydro's practice that, in the event that a First
25 Nation account is not fully funded, meaning by policy

1 does not receive 100 percent of the estimated cost of
2 electricity cost -- electrical costs, that all of such
3 account -- all such accounts are classified as general
4 service?

5 MR. ROBIN WIENS: Yes.

6 MR. MICHAEL ANDERSON: Thank you.

7

8 (BRIEF PAUSE)

9

10 MR. MICHAEL ANDERSON: And on that point,
11 Mr. Wiens, the thirty (30) accounts that were
12 reclassified from government to general service rate were
13 reclassified on that basis, correct?

14 MR. ROBIN WIENS: That would be correct,
15 yes.

16 MR. MICHAEL ANDERSON: Thank you.

17

18 (BRIEF PAUSE)

19

20 MR. MICHAEL ANDERSON: Now, prior --
21 prior to the opening of our proceedings today I had
22 mentioned briefly to Ms. Ramage that I had wanted to
23 touch on matters that were in Order 116/08 in respect of
24 directive number 18.

25 Do you -- do you have that available to

1 you, Mr. Warden and Mr. Wiens?

2 MS. PATTI RAMAGE: I'm sorry, Mr.
3 Anderson, we didn't bring a copy of Order 116/08. We do
4 have, certainly having read it, a general understanding
5 of what that directive dealt with.

6 MR. MICHAEL ANDERSON: Would it be
7 satisfactory if I just read the directive sub-elements
8 out for the record, and then responded as...

9

10 (BRIEF PAUSE)

11

12 MR. MICHAEL ANDERSON: I -- I appreciate
13 your -- your assistance and cooperation, Ms. Ramage, and
14 Mr. Warden, and Mr. Wiens.

15 MS. PATTI RAMAGE: Mr. Anderson, was that
16 116/'08 or -- that you were --

17 MR. MICHAEL ANDERSON: It's 116/'08, July
18 29th, 2008, and it's Directive Number 18 --

19 MS. PATTI RAMAGE: Eighteen (18), I don't
20 think --

21 MR. MICHAEL ANDERSON: -- that I wish to
22 discuss.

23 MS. PATTI RAMAGE: -- believe is in the -
24 - is in Mr. Peters' book of documents. It's --

25 MR. MICHAEL ANDERSON: It's not.

1 MS. PATTI RAMAGE: It's 26 that's there
2 from our indication.

3 MR. MICHAEL ANDERSON: And in -- in my
4 opening comments, I had mentioned that we, that is MKO
5 and the Diesel First Nations, may place as much or, in
6 some ways, greater weight on the Board's pursuit of that
7 directive. And I -- all I'm seeking in this is a general
8 statement of status as to where each of the directives
9 are at.

10 And if -- if I might just sort of go
11 through them as a checklist, hopefully staccato, then
12 that -- that would be for the purpose of keeping it
13 within this record, my objective.

14 All right. Directive 18 says:

15 "With respect to low income programs,
16 Manitoba Hydro to prepare and report on
17 the following. [And I'm just looking
18 for a status update on these.]

19 A) Manitoba Hydro to consult with
20 stakeholders on its enhancement to its
21 low income programs to ensure it
22 adequately addresses low income needs
23 and to report to the Board by September
24 30th, 2008 on the results of the
25 consultation and subsequent development

1 of an implementation of this program."

2 Mr. Warden, what is the status of Manitoba
3 Hydro's response to this directive of the Board?

4 MR. VINCE WARDEN: Mr. Anderson, you
5 probably don't have the right people here to speak to
6 this, but it is my understanding that those consultations
7 have taken place and a report has been filed with this
8 Board, not specifically as it relates to diesel
9 communities, but to low income customers.

10 MR. MICHAEL ANDERSON: And would there be
11 any update that Manitoba Hydro might file further to that
12 initial submission to the Board?

13 MR. VINCE WARDEN: I'm going by
14 recollection, but I believe there is an undertaking to
15 file an update soon. I don't have the exact dates, but
16 it's -- there is a -- there is an undertaking, or at
17 least a commitment to file something. I'm informed it's
18 in January.

19 MR. MICHAEL ANDERSON: Thank you, Mr.
20 Warden. Directive B, Manitoba Hydro to provide an update
21 on the status -- well, excuse me, that's not applicable
22 to the diesel First Nations. It was a -- it was Item C
23 that I wished to highlight here.

24 "Manitoba Hydro to meet with MKO and
25 representatives from the diesel

1 communities to discuss the issue of the
2 access of those communities to Manitoba
3 Hydro's low income programs and to
4 report to the Board on the outcome of
5 these discussions on or before
6 September 30th, 2008."

7 What is the status of this directive, Mr.
8 Warden?

9 MR. VINCE WARDEN: We don't have that as
10 an outstanding directive, so I'm assuming that we -- we
11 complied with that directive on or about September 30th,
12 2008.

13 MR. MICHAEL ANDERSON: And, Mr. Warden,
14 you'll recall that in the discussion that I had with Mr.
15 Kuczek about the applicability of Manitoba Hydro's Power
16 Smart and low income programs to First Nation
17 communities, that there was a concern that they may not
18 be applicable as a result of the beneficiaries being
19 potentially Indian and Northern Affairs Canada or the
20 Government of Canada.

21 Earlier in -- in Order 116/'08, the Board
22 had referred to MKO's concern on this point. Mr. Warden,
23 what's your understanding of the status of Manitoba's
24 consideration of the availability, the general
25 availability of all low income and Power Smart programs

1 in the diesel First Nations?

2 MR. VINCE WARDEN: The Power Smart
3 programs are fully available in the diesel-served
4 communities.

5 MR. MICHAEL ANDERSON: Is it your
6 understanding that there is any concern or consideration
7 of whether or not a customer -- the benefi -- that there
8 -- whether or not there's any analysis by Manitoba Hydro
9 or consideration of whether the customer may -- any
10 program delivered to a customer may, in the end, benefit
11 Indian and Northern Affairs Canada?

12 MR. VINCE WARDEN: I don't believe that's
13 a concern.

14 MR. MICHAEL ANDERSON: Thank you. Item
15 'D' of Order 116/'08:

16 "Manitoba Hydro to propose for Board
17 approval as soon as possible but no
18 later than September 30th a low income
19 bill assistance program where such a
20 program would occur in conjunction with
21 and complimentary to an expanded low
22 income DSM Program."

23 What's the status of Manitoba's response
24 to that directive?

25 MR. VINCE WARDEN: The bill assistance

1 program filing is -- is being made I -- I believe as we
2 speak or at least in, I believe, early in the new year.
3 Part of the January filing, I believe.

4 MR. MICHAEL ANDERSON: And -- and so,
5 give the date, I -- I suppose it's obvious, but just to
6 make the point that to the extent that such a program
7 might benefit customers in the diesel First Nations that
8 have bills in arrears or billing issues, these measures
9 are not presently available to them?

10 MS. PATTI RAMAGE: Mr. Anderson, if you
11 could clarify when you say "these measures," what do you
12 mean?

13 MR. MICHAEL ANDERSON: Does Manitoba
14 Hydro currently have a Low Income Bill Assistance Program
15 available to customers in the diesel First Nations?

16 MR. VINCE WARDEN: It -- it has a low
17 income bill assistance program either available or being
18 made available to residential customers, be that whether
19 they're in First Nation communities or elsewhere in
20 Manitoba.

21 MR. MICHAEL ANDERSON: And without a --
22 is it possible to provide a very brief description and
23 file a description of what this program would be -- or is
24 or would be as it would be available to the diesel First
25 Nations?

1 MS. PATTI RAMAGE: It might be -- oh, I
2 was going to just say it might be of assistance, Mr.
3 Anderson, and I don't have access to it, but the Board
4 would have a copy of Manitoba Hydro's report with respect
5 to what is being done presently. And the January filing
6 is what is contemplated or what -- perhaps what more can
7 be done is what Manitoba Hydro is looking at.

8 But there is a filing that perhaps we
9 could get to you, because I don't think this is the best
10 panel to be giving you any detail on that.

11 MR. ROBERT MAYER: We heard some further
12 evidence this morning about what I -- sounds like bill
13 assistance to me which was the reduction in carrying
14 charge costs if a -- if a -- arrangements were made to
15 pay on a reasonable basis.

16 MR. BOB PETERS: Just if I can add, Mr.
17 Chairman, and Vice Chairman, and Mr. Anderson. At Tab
18 12, of the book of documents, sir, if you turn to --
19 neatly disguised behind the legislation is a -- extracts
20 from a PUB Order 128 of '09. Order 128 of '09 related to
21 a Centra Gas matter, but you will find on page 42, of 139
22 -- page 42 of one hundred and thirty-nine (139) pages, is
23 a chart.

24 And I believe what Ms. Ramage was trying
25 to bring to Mr. Anderson's attention is that, here are

1 the ten (10) things that Manitoba Hydro currently does in
2 its bill assistance program. The eleventh item being
3 rate discounts, waivers, and cash subsidies is under
4 review and is subject to a report to this Board in
5 January of 2010.

6 And the Vice Chair has -- has already
7 recounted one (1) item of rate discounts, or waivers,
8 that the Board may not have been previously aware of, and
9 that being the -- the reduced late payment fees. So, I
10 provide that to Mr. Anderson's attention to facilitate
11 his questioning.

12 MR. MICHAEL ANDERSON: Thank you, Mr.
13 Peters.

14

15 CONTINUED BY MR. MICHAEL ANDERSON:

16 MR. MICHAEL ANDERSON: Also, there was
17 item, Board Directive F, Manitoba Hydro had to report
18 back to the Board on the potential for low income, and
19 General Refrigerator Replacement Program, and to provide
20 the merits of such programs on, or before June 30th,
21 2009.

22 Is Manitoba Hydro considering launching
23 such a program in the diesel First Nations?

24 MR. VINCE WARDEN: Mr. Anderson, I really
25 do think it would be best if you waited for the report

1 that's due to be filed with this Board in January. All
2 of the Bill Assistance Programs will be put before the
3 Board, and interested parties, at that time.

4 MR. MICHAEL ANDERSON: Just as a general
5 question, is Manitoba Hydro aware that Northwest
6 Territories Power offers such a program to its remote
7 customers, and is it taking that into consideration in
8 the design of its program?

9 MR. VINCE WARDEN: I would expect the
10 people putting this program together would probably be
11 aware of that, Mr. Anderson, but I can't really speak for
12 them.

13 MR. MICHAEL ANDERSON: I look forward to
14 seeing the report to the Board. Thank you. And
15 Directive G:

16 "Manitoba Hydro to accrue interest on
17 the -- the AEF Balance, to ensure
18 additional funds are available to fund
19 expanded low income energy efficiency
20 programs, and to avoid the loss of
21 purchasing power of the AEF due to
22 continuing inflation."

23 What is the status of Manitoba Hydro's
24 actions in response to this Directive, Mr. Warden?

25 MR. VINCE WARDEN: Well, I can confirm,

1 that is being done.

2 MR. MICHAEL ANDERSON: Thank you. I had
3 spoken earlier about successes in implementing Power
4 Smart initiatives within the diesel First Nations.

5 Could you be more specific about which
6 Power Smart initiatives are being applied as a result of
7 these collaborations between Manitoba Hydro and the
8 diesel First Nations.

9 MR. VINCE WARDEN: Well, Mr. Anderson,
10 Manitoba Hydro personnel have been working very closely
11 with the Chief and Council in those respective
12 communities. I do have a -- a binder actually full of
13 information that -- of initiatives that have been
14 identified as potential programs.

15 We, of course, want to make sure that we
16 have -- we do this in cooperation with the First Nation
17 communities. And those programs as -- are underway as we
18 speak, to my understanding; but, there's a lot of
19 initiatives underway in those communities.

20 MR. MICHAEL ANDERSON: Is there some
21 reasonable or meaningful way that Mr. -- Manitoba Hydro
22 can provide a summary of which of these initiatives are
23 being applied in the diesel First Nations, as distinct --
24 and I would thank you for that, but as distinct from a
25 description of the suite of options that are available,

1 those that have actually been implemented, or are in the
2 process of being so.

3

4 (BRIEF PAUSE)

5

6 MR. VINCE WARDEN: Mr. Anderson, such a -
7 - a document is not available for -- for filing purposes,
8 however, a summary could be prepared. I'm not exactly
9 sure when that might be available but we could do that
10 within a reasonable period of time.

11 MR. MICHAEL ANDERSON: And that would be
12 appreciated, Mr. Warden. And if, as part of this
13 document, that you would prepare on a go-forward basis,
14 is it feasible to incorporate Manitoba Hydro's estimate
15 of the kilowatt hours that would -- is ex -- are expected
16 to be conserved through these measures and the cost
17 savings to the -- the -- for each of these projects?

18 MR. VINCE WARDEN: Yes.

19 MR. MICHAEL ANDERSON: Thank you.

20

21 --- UNDERTAKING NO. 5: Manitoba Hydro to prepare a
22 summary of initiatives being
23 applied in the diesel First
24 Nations, along with Manitoba
25 Hydro's estimate of the

1 kilowatt hours expected to be
2 conserved through these
3 measures and the cost savings
4 for each project

5
6 MR. MICHAEL ANDERSON: At Tab 3 of Mr.
7 Peters' book, which is an extract of Order 46/'04, at
8 page 7 of that order, I have the extract, and it's the --
9 it says that:

10 "Manitoba Hydro should ensure that
11 residential customers are aware of the
12 financial impact if consumption does
13 not remain below the 2,000 Kilowatt
14 hour per-monthly limit."

15 And it says:

16 "The Board expects Manitoba Hydro to
17 work with First Nations leadership and
18 MKO in carrying out this campaign."

19 And I emphasizes the term "campaign." Mr.
20 Warden, can you describe what actions or measures are
21 being undertaken by Manitoba Hydro to clearly explain the
22 financial effect or impact of energy consumption above
23 the 2,000 kilowatt hour, first step?

24 MR. VINCE WARDEN: Well, Mr. Anderson,
25 the -- we do have specific contact people within Manitoba

1 Hydro that visit these communities, visit with the Chief
2 and Council, work very closely with them in making sure
3 that information is available to them as to what Power
4 Smart initiatives can be undertaken. They've done walk-
5 throughs of these communities, looked at every building
6 in the communities, looked at the level of insulation
7 that's there, the Power Smart type lighting, the
8 incentives that are available.

9 So there's been a -- a very concerted
10 effort to -- to work with these communities to enhance
11 the level of energy efficiency within those communities.
12 I think there's been good progress made to date, programs
13 have certainly been identified. Those that have been
14 implemented, I'm not sure, but we'll respond to that when
15 we respond to our undertaking.

16 MR. MICHAEL ANDERSON: Thank you, Mr.
17 Warden. And in terms of the results of these walk-
18 throughs, if you -- could you please explain what you
19 mean by a walk-through and what the end results are?

20 MR. VINCE WARDEN: Well, as I referenced
21 earlier, I've got a whole binder full of information
22 here. It's got -- it's just what it implies. It is a
23 walk-through of all the buildings and they look at the
24 condition of the insulation, the windows, the appliances,
25 the lights, the --

1 DR. KATHI AVERY KINEW: Excuse me, Mr.
2 Warden, is this as opposed to an audit? Is this just a
3 walk-through, a quick -- a quick look-see or what is it?

4 MR. VINCE WARDEN: It probably would come
5 more so under the heading, although they call it -- they
6 refer to it in this document as a walk-through and I'm
7 not sure there's distinction between an audit and a walk-
8 through for this purpose. They certainly listed, though,
9 and they've been very specific on the am -- the -- say
10 things that could be achieved in various locations, the
11 numbers of kilowatt hours, the dollar savings.

12 So I think it could be characterized as an
13 audit, although I hesitate to do that because I'm not
14 exactly sure of the -- of the distinction between an -- a
15 walk-through and an audit. But it seems very specific.

16

17 CONTINUED BY MR. MICHAEL ANDERSON:

18 MR. MICHAEL ANDERSON: And the results of
19 these walk-throughs, or audits, as we describe them, are
20 provided to whom, Mr. Warden?

21 MR. VINCE WARDEN: I'm sorry? The
22 question was...?

23 MR. MICHAEL ANDERSON: The document --
24 the documented result of these walk-throughs is provided
25 -- I'm -- back up one (1) question.

1 I'm assuming that all these are provi --
2 are documented?

3 MR. VINCE WARDEN: Yes, and they've been
4 -- been provided to the Chief in con -- and Council
5 within those communities.

6 MR. MICHAEL ANDERSON: Thank you, Mr.
7 Warden. And the -- do these -- the results of these
8 walk-throughs, do they identify the costs of the measures
9 that you've identified?

10

11 (BRIEF PAUSE)

12

13 MR. VINCE WARDEN: The savings are
14 clearly identified. The costs -- the capital costs
15 involved, I don't see that, but I'm sure an estimate of
16 those costs was made. Can't really answer that question,
17 Mr. Anderson.

18 MR. MICHAEL ANDERSON: Well, just taking
19 for discussion purposes your comment that you had assumed
20 that an estimate of cost was made, in -- it is -- in
21 Manitoba Hydro's expectation, who would be paying the
22 costs of implementing all the measures that you've
23 identified in these extensively documented walk-throughs?

24 MR. VINCE WARDEN: Well, what's
25 identified here is the amount of the rebate, so the --

1 this is to a -- to make sure the communities are aware of
2 the programs that are available to them. So if the
3 communities undertook to change out the lighting in the
4 school, for example, and that's probably why the costs
5 aren't here, they'd have to go out and get some bids and
6 how -- how much that would cost, line up contractors.
7 Might want to do some of the work themselves, I don't
8 know.

9 But what's to be -- what this document
10 clearly indicates is the amount of rebates that is
11 available to them should they choose the upgrades -- up -
12 - upgrades that are identified here.

13 MR. MICHAEL ANDERSON: The key term in
14 this though is "choose." Are the implementation of all
15 of these measures is -- contingent on their acceptance,
16 funding, organization, logistical, mobilizing and so
17 forth by the First Nation.

18 Is that correct?

19 MR. VINCE WARDEN: Well, Manitoba Hy --
20 Hydro's responsibility is to make sure the Chief and
21 Council are aware of what the opportunities are. How
22 they pursue the funding for that is another matter.

23 MR. MICHAEL ANDERSON: Would Manitoba
24 Hydro consider directly making the capital investment in
25 these energy efficiencies identified through the audit,

1 particularly in light of the high cost to serve these
2 communities, and in light of the growing gap between
3 revenues and costs in these communities?

4 MR. VINCE WARDEN: Well, Manitoba Hydro
5 is already making quite significant incentive payments to
6 -- to those customers that wish to take advantage of
7 these programs.

8 Would we make contribution towards the
9 capital? There are capital contribution payments, or at
10 least programs available to customers with paybacks
11 coming through their hydro bill. There's certain
12 restrictions around those -- those programs though, but
13 we don't have a specific program in place for the First
14 Nation -- First Nation communities.

15 MR. MICHAEL ANDERSON: For the diesel
16 zone only, at least, would Manitoba Hydro consider making
17 direct investments in all of the measures that are
18 identified through these audits and walk-throughs in
19 order to ensure that they're implemented at the earliest
20 opportunity?

21 MR. VINCE WARDEN: I really haven't
22 thought about that, Mr. Anderson. I don't have an answer
23 for you at this time.

24 MR. MICHAEL ANDERSON: Thank you, Mr.
25 Warden. I -- I note that I'm over time if we're going to

1 noon. I did have a question regarding the 2,000 kilowatt
2 hour step though that is relevant, I think, to the
3 earlier line.

4 Mr. Warden, is Manitoba Hydro aware of the
5 number of persons present in each of their five hundred
6 (500) plus residential accounts -- the number of persons
7 present in each home?

8 MR. VINCE WARDEN: No.

9 MR. MICHAEL ANDERSON: Would it surprise
10 you to be advised that several -- many of those five
11 hundred (500) homes have more than one (1) family
12 residing in them?

13 MR. VINCE WARDEN: I really -- you know,
14 I'm not sure I have -- have comment on that, Mr.
15 Anderson. I -- I -- it probably wouldn't surprise me,
16 but it's probably not relevant to what we're talking
17 about today.

18 MR. MICHAEL ANDERSON: In the event,
19 though -- from a consumption point of view, in the event
20 that there were more than one (1) family resident in a
21 residential home in the diesel service.

22 Would that contribute toward exceeding
23 2,000 kilowatt hours?

24 MR. VINCE WARDEN: I don't know.

25 MR. MICHAEL ANDERSON: Mr. Wiens, is --

1 would you think that that could contribute to a
2 individual account exceeding 2,000 kilowatt hours?

3 MR. ROBIN WIENS: The figure of 900
4 kilowatt hours a month which we've quoted earlier as
5 being a typical home which is not electrically heated, I
6 -- I could certainly see, you know, a larger number
7 people residing in the home contributing to exceeding
8 that. Whether that contributes to going over 2,000
9 kilowatt hours, I'm -- I'm not just prepared to comment
10 on that. I -- I just don't know.

11 I think it -- I think it's reasonable to
12 assume that it would be higher than average, but whether
13 that would drive it as high as two thousand (2,000), I
14 don't know.

15 MR. MICHAEL ANDERSON: Thank you. That's
16 --

17 DR. KATHI AVERY KINEW: Excuse -- excuse
18 me, Mr. Anderson. There is in this -- in this report
19 there's something about community meetings, and they do
20 mention that with multiple families living there there's
21 a lot more use of dryers -- washers, dryers, et cetera.
22 So Manitoba Hydro has some idea that there's multiple
23 families and that they do use more than just space
24 heaters.

25 MR. MICHAEL ANDERSON: Thank you very

1 much, Dr. Avery Kinew.

2

3 CONTINUED BY MR. MICHAEL ANDERSON:

4 MR. MICHAEL ANDERSON: In an earlier
5 proceeding, Mr. Wiens, you and I had discussed that on
6 analysis of accounts in the diesel First Nations, with
7 non-identifying information, it was revealed that several
8 of the accounts that exceeded 2,000 kilowatt hours per
9 month were in fact multiplexes that were installed with a
10 single meter and that you had indicated Manitoba Hydro
11 would correct that.

12 Are you aware of whether this has been
13 done, Mr. Wiens?

14 MR. ROBIN WIENS: I'm not today aware of
15 whether that's been done. I would assume it's been done,
16 but I -- I can't say for sure.

17 MR. MICHAEL ANDERSON: Would Manitoba
18 Hydro be -- ordinarily re-bill a customer account where
19 they've determined that, in fact, there's a single meter
20 for four (4) -- for multiple residences?

21 MR. ROBIN WIENS: If Manitoba Hydro
22 determined that it inappropriately billed an account in -
23 - for any reason, it would -- it would ordinarily re-
24 bill.

25

1 (BRIEF PAUSE)

2

3 MR. MICHAEL ANDERSON: Those would be my
4 questions, Mr. Chair. Thanks very much. Thank you very
5 much.

6 THE CHAIRPERSON: Thank you, Mr.
7 Anderson. So we'll come back at one o'clock.

8

9 --- Upon recessing at 12:14 p.m.

10 --- Upon resuming at 1:04 p.m.

11

12 THE CHAIRPERSON: Welcome back. We're
13 going to amend the order somewhat. We're going to start
14 off with Ms. Anderson-Lindsay and then we'll go to Board
15 counsel following that.

16 So do you want to begin?

17

18 CLOSING SUBMISSIONS BY INAC:

19 MS. MARLAINE ANDERSON-LINDSAY: Thank you
20 very much, sir. I really appreciate the indulgence of
21 this Board.

22 My submissions I'm going to speak to
23 historically why INAC has been represented in these
24 proceedings. And -- and then I'm going to take -- take
25 you into INAC's position on the relationship between INAC

1 and Hydro and attempt to bring what clarity I can to the
2 status of the draft settlement agreement.

3 So, as some of the members of this Board
4 may recall, the January two -- 2004 Hearings saw Indian
5 and Northern Affairs Canada intervening, and it was
6 because the Hydro application at the time identified INAC
7 as being contractually bound to pay the existing and
8 future government rates for the diesel First Nations.
9 Our intervention at that point was fairly limited and
10 certainly informs our participation today, almost six (6)
11 years later.

12 I'm just going to briefly revisit one (1)
13 of the submissions at the time, because I think the
14 others have long been dealt with, and that is in respect
15 of the jurisdiction of the PUB vers -- vis-a-vis INAC, in
16 this particular circumstance. As you are well aware by
17 this point, INAC is not a user of diesel power here. It
18 is merely "a", and not "the," funder of the First
19 Nations. It's a Federal entity, operating pursuant to
20 federal statute and, therefore, its operations and
21 management, to the extent that this Board is curious
22 about them, are not subject to inquiry by provincial
23 statutory bodies, including the PUB.

24 So, as this Board will no doubt
25 appreciate, no order can be issued in respect of INAC.

1 MR. ROBERT MAYER: How do you stand in
2 terms of the -- INAC being subject, and now the Federal
3 Government being subject to provincial courts with
4 superior jurisdiction, and our having the ability to
5 refer this whole matter to the Manitoba Court of Appeal
6 for a decision?

7 MS. MARLAINE ANDERSON-LINDSAY: Yes, sir,
8 we were aware of that being expressed at the time.
9 Certainly, the Crown Liability and Proceedings Act does
10 allow for the provincial courts to have jurisdiction and
11 we are aware of that. However -- and you will
12 appreciate, and I believe you were on the panel at the
13 time, sir, that it was agreed between the three (3)
14 parties that those matters that were outside the
15 jurisdiction of the PUB, nevertheless, should be dealt
16 with between the three (3) parties because they all had
17 an interest in it.

18 And while we are at a stage where the
19 draft settlement agreement is still a draft and not
20 finalized, we are still working together and we are
21 hopeful for a quick resolution at that point. So
22 hopefully we won't have to look down that road, sir.

23 So because INAC is not a user of diesel
24 power, we took and continue to take no position on the
25 diesel rates themselves. We do, however, take a position

1 regarding how the funding relationship between INAC and
2 the First Nations has been characterised by our friends
3 at Manitoba Hydro, and -- and what exactly is the nature
4 of the relationship between INAC and Hydro.

5 As is abundantly clear, in this regard,
6 the First Nations are the customers, and, yes, INAC is a
7 funder, but INAC is not the customer. And how, and to
8 what extent, INAC funds on an ongoing future basis is
9 outside Hydro's knowledge and certainly outside these
10 proceedings. Although I appreciate that the tripartite
11 agreement addresses those issues.

12 So INAC funds, as policy allows, through
13 arrangements with the First Nations directly. The First
14 Nations pay the bills. I have also attempted, to the
15 extent possible, and -- and we are, to a certain extent,
16 hamstrung by the confidentiality that necessarily
17 surrounds a settlement agreement, to bring clarity to the
18 issue of the status of that agreement, because we know,
19 and it necessarily is so, that same is of great interest
20 to this Board.

21 So, as we are all aware, the parties
22 jointly submitted a draft to the Board in December of
23 2004. Due to the passage of time, many of the to-dos in
24 that agreement have been done. Additional matters are at
25 issue. The Board is aware of that.

1 As well -- and I guess perhaps today was
2 the first time the Board has heard of it, the First
3 Nations have filed litigation against Canada in the
4 Federal Court that claim, and this is in public court, in
5 respect of allegations as to insufficient funding between
6 1994 and 2004 as relates to electricity costs on Reserve.

7 Hydro has indicated today, and previously,
8 that it in -- that it be used, the outstanding matters as
9 being between the First Nations and INAC. To the extent
10 this is the case, the First Nations, MKO, and Hydro, are
11 aware that, by November 30th, Canada will provide the
12 First Nations with a comprehensive letter outlining
13 Canada's position on the settlement, and will attach the
14 proposed draft. This is all out in the open.

15 Our hope is that with the provision of
16 absolute written clarity on Canada's position a quick
17 resolution will be achieved on these outstanding matters
18 where none has been achieved to date. I -- I think that
19 is the extent to which I can advise this Board as to the
20 -- Canada's perspective on the status on the Draft
21 Agreement.

22 Therefore, those are my submissions on
23 behalf of the Intervenor, INAC. And I thank the Board
24 for the opportunity to be -- appear before you today.

25 THE CHAIRPERSON: Thank you for

1 participating, appreciate it.

2 MS. MARLAINE ANDERSON-LINDSAY: Thank
3 you, sir.

4 THE CHAIRPERSON: Mr. Peters...?

5

6 FINAL COMMENTS BY BOARD COUNSEL:

7 MR. BOB PETERS: Yes, and as Ms.
8 Anderson-Lindsay takes her leave, I was going to say,
9 we'd like to extend a warm welcome to the new people to
10 the Board, although the temperature in the room is not
11 indicative of the -- the welcome intended.

12 So I hope, in Ms. Anderson-Lindsay's
13 absence, Ms. Benham will take notes and determine if
14 there's any further matters that arise. And should there
15 be points of clarification that INAC wishes to make after
16 reading the submissions of others, Mr. Chairman, I think
17 it might be appropriate that that opportunity could be
18 extended in writing in the day or two (2) that follow
19 today's Hearing, should -- should there be a need for
20 that. I'm not anticipating there would be, but if there
21 was, that would be an opportunity to provide any final
22 comments to the Board.

23 THE CHAIRPERSON: And, Mr. Peters, also
24 we shouldn't forget that it's possible Manitoba Hydro has
25 some responses for those undertakings.

1 included, which is only the latest annual return
2 information provided for the Board's information; the
3 Board has seen that all before. Likewise, the Board has
4 seen before Tabs 2 all the way through 7 in terms of
5 being related to PUB Orders. And those Orders do trace
6 the history of the Board's involvement with the diesel
7 community.

8 A couple of the Orders -- three (3) of the
9 Orders that are provided, there's extracts rather than
10 the entire Order, just for the sake of volume, but
11 they're certainly available on the website, and the Board
12 has their own paper copies if needed.

13 Long to say that diesel issues have been
14 before this Board for a number of years, and there's been
15 a growing concern about what's happening with them.

16 In the years leading up to today, the
17 Board's concerns have been around what's happening from
18 the financial aspects, and where is the -- where do the
19 numbers sit relative to the costs and the revenues.

20 And I think we saw at tab 8 of the book of
21 documents, I made a note that in updating the Board as to
22 where the costs sit in terms of the accumulated deficit,
23 the number that's on the record as a forecast for March
24 30th of 2010 is \$8.3 million. Those are of the variable
25 costs that would be addressed in the rate making process.

1

2 That's not to say, as Mr. Wiens clarified
3 on the record, that there were also other subsidies that
4 have been considered and provided in coming to that
5 number. Those subsidies include the revenue-to-cost
6 ratio, adjustment subsidy, as well as the interest and
7 depreciation on 21 percent of capital expenditures. So
8 those are in addition to the \$8.3 million of accumulated
9 deficit on -- on matters considered in the rates.

10 In terms of the capital expenditures, the
11 Board heard that there's been \$8.5 million of gross
12 capital expenditure since 2004. There's been a reported
13 contribution that has been received for the Tadoule Lake
14 Generation Set, and the net capital expense that Manitoba
15 Hydro has a high degree of confidence that it will
16 recover is \$7.4 million net still outstanding and owing
17 to Manitoba Hydro that they are actively seeking to be
18 recovered, but not through the rate process.

19 In terms of rates themselves, certainly,
20 the witnesses have repeated that Manitoba Hydro is not
21 before the Board asking for a rate increase. The
22 witnesses also indicated that if we took their materials
23 and we looked at the Tab 11 of the book of documents and
24 looked at the rate chart prepared, the full-cost rate
25 would go up from forty-one point two seven (41.27) cents,

1 which it is as of current rates, and it would have to go
2 up to sixty-three point one five (63.15) cents per
3 kilowatt hour if the rates were to be calculated
4 consistently with the past Rate Applications before this
5 Board.

6 The surcharge or the premium on Government
7 rates would be increased to a dollar seventy three
8 (\$1.73) per kilowatt hour, and adding the full cost and
9 the surcharge together, the Government rate itself would
10 be two dollars and thirty-six cents (\$2.36) per kilowatt
11 hour.

12 There was discussion by My Friends
13 opposite relative to the Affordable Energy Fund and the
14 Climate Change and Emissions Control Act and what's
15 happening in terms of options to serve the community.
16 Many ideas were raised and discussed, although none of
17 them firm.

18 In terms of the monies that are available
19 for a specific use in the diesel community as a result of
20 the Affordable Energy Fund, there's been no specific
21 information provided as to the dollar amount that would
22 be allocated internally for rate adjustment, and I
23 suspect that will be a matter that, I think we've heard,
24 is going to be pending the January 2010 Report from the
25 Corporation.

1 There were directives in some past Board
2 Orders that Mr. Anderson dealt with at length to give the
3 Board an idea as to where things sit. Suffice it to say
4 that there are still some outstanding directives related
5 specifically with the diesel zone, and also some
6 directives related to the low income rates. And those
7 are matters that the Board still wants to monitor and
8 Manitoba Hydro has provided its assurances are going to
9 be addressed and provided to the Board for consideration.

10 The Board will know, Mr. Chairman, that
11 Manitoba Hydro's last advice to the Board is that
12 Manitoba Hydro's Board will be considering in, I believe,
13 this month, whether they're going to file a General Rate
14 Application for the Utility.

15 It's my understanding that that decision
16 will be made before the end of the month and if the
17 decision is made to proceed, a filing would be made
18 shortly after the Manitoba Hydro Board meeting, and the
19 Board would expect such a hearing with probably the oral
20 component to be held -- logistically, it will probably be
21 looking at April of 2010.

22 In terms of specific diesel matters, Mr.
23 Chairman and Board members, my last comment is that the
24 evidence that you've heard today is that Manitoba Hydro
25 Electric Board will be considering the diesel matters

1 again, and that consideration will be in January of 2010
2 and that's when direction may be provided to the
3 executive and through to management.

4 So with that summary, Mr. Chairman, I
5 think it would be appropriate to turn to my colleague,
6 Ms. Bowman, and find out if CAC/MSOS has specific
7 submissions related to what they can do to assist the
8 Board in terms of the issues that they've heard today.
9 Thank you.

10 THE CHAIRPERSON: Thank you, Mr. Peters.
11 Ms. Bowman...?

12

13 CLOSING SUBMISSIONS BY CAC/MSOS:

14 MS. MYFANWY BOWMAN: Thank you, Mr.
15 Peters. No pressure there.

16 Thank you, first of all, to the Board and
17 to the Hydro panel and to Board counsel who has been, as
18 always, very helpful. My clients are very pleased to
19 have been able to come back to a diesel hearing. There
20 hasn't been one in a number of years on a public hearing,
21 so they're very pleased to be here to -- to examine some
22 of these issues. And, certainly, they feel that this
23 hearing is a step in the right direction but, in their
24 view, there's a ways yet to go.

25 It's clear from the information on the

1 record, both the documents and -- and the oral evidence,
2 that there are serious issues to be grappled with in
3 terms of diesel service and -- and the cost of providing
4 that service, and -- and how do we appropriately serve
5 these communities in a way that makes sense.

6 The -- the process that we have had in
7 terms of this particular hearing has been a little bit
8 less than ideal. The -- my clients, CAC/MSOS, certainly
9 share the Board's frustration that -- that diesel issues
10 have -- have sat for a number of years and that we're
11 continuing to have serious problems. And I suspect
12 Manitoba Hydro shares that frustration, as well.

13 My clients are of the view that they have
14 not had an opportunity in the context of this particular
15 proceeding to properly consider the issues, just given
16 the time frames involved and the information available.

17 So one (1) of the recommendations they're
18 going to be making to you is that we're going to need
19 some more time and we're going to need some more process.
20 And I'll talk a little bit more about what it is my
21 clients would like to see in the future.

22 I will try to offer a little bit of
23 assistance, I'm not sure that I can improve on anything
24 Mr. Peters has said, but in terms of sifting through the
25 information and identifying some doubts that my clients

1 are certainly concerned about.

2 And I'll try to offer a little bit of
3 advice on some of the considerations that my clients
4 would like the Board to keep in mind as they face the
5 unenviable job of trying to decide what to do here.

6 I can tell you now that my clients are not
7 in the position to offer concrete advice on either a rate
8 amount or rate design. In their view, they do not have
9 the information that they need to provide a
10 recommendation that they can feel confident in.

11 As I was preparing for this hearing I -- I
12 was not at the 2004 hearing -- but I looked back at some
13 of the transcripts and I looked at the submissions made
14 by my colleague, Mr. Williams, at that time, and I
15 noticed that he -- he made a couple of -- of comments
16 that seemed apt to me, both then and now.

17 He said that -- he describes what had
18 happened thus far on the diesel file as a collaborative
19 but dysfunctional effort on behalf of the Federal
20 Government and Manitoba Hydro, and to some -- to some
21 degree, MKO. And he said that, basically, you know, it's
22 a mess. Despite everybody's best efforts, it's a mess.

23 He also said, when I read his submissions
24 -- and he was, at this point, talking about the -- the
25 question of the Government surcharge -- and he said, "My

1 clients envision coming back here in five (5) years with
2 this issue unresolved."

3 And lo and behold here we are. And I
4 hesitate to say of Mr. Williams that he is a prophet, and
5 yet somehow -- so those comments seem apt, that -- that
6 this situation has -- has sat for a number of reasons,
7 but we -- we have serious problems that need to be
8 addressed.

9 So what have we got from this process? We
10 know for sure that rates are consistently under-
11 recovering the cost of service. We know that the
12 variable full cost rate is currently forty-one point two
13 seven (41.27) cents, and that if we reset it today based
14 on what we believe to be the full cost of providing
15 service today, that rate would go to sixty-three point
16 one five (63.5) cents. That's -- call it a 50 percent
17 rate increase.

18 For 2009/2010, the forecast shortfall is,
19 as I understood the numbers and when you backout the
20 various accounting issues, the forecast shortfall for the
21 year is somewhere in the area of \$2 million.

22 The pre-2004 pre-settlement deficit has
23 been paid down to -- to 14.2 million as of March of this
24 year through the application of export revenues. And to
25 be honest, I think my clients were a little dismayed to

1 hear that. I think they were hoping it -- it had come
2 down further but, obviously, it hasn't.

3 When we look at the accumulated deficit
4 over the past several years, from 2004 until now, we
5 understand that that deficit is 8.3 million by the end of
6 this fiscal year, that that's the forecast.

7 That amount is being rolled into rates at
8 -- at about one fifth (1/5th) per year, given that our
9 costs are failing to -- to keep -- keep up with -- or,
10 pardon me, given that our rates have not been keeping up
11 with costs, we're not making a lot of progress on paying
12 off that deficit.

13 There are a number of subsidies flowing to
14 the diesel zone. There's the -- the RCC subsidy, or the
15 RCC adjustment, which I believe is in the area of about
16 \$1.1 million over the last year or two (2).

17 There's the Manitoba Hydro capital
18 subsidy, which is just under a million. Next, net export
19 revenues, as they're being applied to that deficit, are
20 full and to the benefit of the diesel account, although
21 it's not really benefiting those customers in any
22 material way right now.

23 And, of course, the Government rate is --
24 is a form of subsidy as well.

25 My clients certainly are interested in the

1 information that has become available with respect to
2 capital expenditures, both current and future. They, I'm
3 not sure, have the same confidence that Hydro has about
4 Hydro's ability to collect on some of the -- collect
5 those contributions given the long period of time that --
6 that it's taken thus far. Some of those -- some of those
7 amounts go back several years, so, certainly, my clients
8 are concerned about that issue.

9 My clients remain puzzled by the
10 settlement agreement and what's going on there. We know
11 it's still outstanding. Who -- who's to say when it's
12 ever going to be resolved. Certainly we're glad to hear
13 that discussions are ongoing, but now that there's
14 litigation involved, it -- it's hard to be optimistic
15 that that's going to be sorted out any time soon.

16 We know that there's a very high cost to
17 serve these communities and that those clients -- those
18 customers have a limited ability to pay. And that's
19 probably true, not just of the residential customers but
20 also of the general service customers. Perhaps they have
21 somewhat more resources, but the reality is when their
22 prices go up, the cost of living goes up for the
23 residential customers and that's of -- of huge concern to
24 my clients.

25 I think that there's probably an attempt--

1 MR. ROBERT MAYER: We're not doing
2 crocodile tears for Northern Stores, are we?

3 MS. MYFANWY BOWMAN: No, we -- we're
4 concerned for their customers and -- and the rates that
5 their cus -- their customers are going to have to pay for
6 milk or vegetables or -- all -- all the things that they
7 need.

8 MR. ROBERT MAYER: Or the space heaters
9 they sell in the stores.

10 MS. MYFANWY BOWMAN: Well, if their
11 customers are cold, I note that, in fact, there's a space
12 heater in here right now, so. I wonder if perhaps we
13 should all just be cold in -- in sympathy for the people
14 up in the -- the diesel communities, but apparently I was
15 outvoted, so.

16 In any event, so -- so, no, I don't think
17 there's any crocodile tears for the Northern Store, but -
18 - but the reality is when the Northern Stores costs go
19 up, the -- the residential customers' costs go up because
20 they have to buy their -- their goods and services there,
21 and that's a very real concern.

22 MR. ROBERT MAYER: I make that not just
23 totally out of hand. You may have recalled, although you
24 weren't here, there may have been some reference to it in
25 the order, that at our original hearing, the one that

1 resulted in the interim order, we heard from the Northern
2 Stores and they were tell -- going to tell us what their
3 costs would be if Hydro got the Application -- got the
4 rate it asked for. And we had asked, and have asked a
5 number of times since, but we don't have an answer yet,
6 as to what happened to that 4 litre jug of milk that they
7 talked to us about.

8 And when we brought the prices down, did
9 the price of that 4 litre jug of milk go down? We have
10 suspicions that it did not, and are somewhat -- I, for
11 one (1), am somewhat disappointed that we don't see them
12 at these hearings any more. But, so I -- I don't suppose
13 it was totally -- totally off the cuff. We had hoped and
14 thought we might hear something, maybe from the
15 communities, maybe from the representatives, as to
16 whether, in fact, the fact that we brought the rates
17 down, made any effect or had any effect on that 4 litre
18 jug of milk.

19 MS. MYFANWY BOWMAN: And I can certainly
20 tell you that my clients share those concerns, and they
21 share your suspicions as well about what has happened
22 with costs there. And there's -- there are undoubtedly
23 other issues at play that go into those costs.

24 I am not entirely clear on whether those
25 customers, the Northern Stores and so on, because they

1 were presenters and not Intervenors, were they -- whether
2 they even had notice of this Hearing. I'm not confident
3 that they did, but perhaps Ms. Ramage can -- can clarify
4 that for the Board.

5 But that is one (1) of the many reasons
6 that I think my clients are going to be suggesting what
7 we need is a full hearing on this issue because we need
8 answers to those questions.

9 THE CHAIRPERSON: In fairness with
10 respect to the Northern Stores, this Board has heard from
11 the Northern Stores since then but it was on a different
12 subject; it was cheque cashing fees, and your clients
13 were involved through your office in that Hearing as
14 well.

15 And you may recall at that time that the
16 Northern Stores outlined their approach to business and
17 their -- I'm not going to call it mechanistic approach to
18 determining a return on investment, so I think at least
19 we could assume that they would be ensuring that they
20 have their return on the products and services that they
21 sell. They seem to be very much into cost accounting.

22 MS. MYFANWY BOWMAN: I suspect you're
23 quite right. But though -- those are -- are completely
24 valid questions that my clients would also like to -- to
25 know more about.

1 Faced with all of this information, there
2 is a temptation, I suspect, for the Board to raise the
3 rates in order, at the very least, to stop the bleeding.
4 The reality is that there's -- there's a lot of money
5 going out here and my clients can certainly understand
6 why the Board might be inclined in that direction.

7 My clients would like to point out, first
8 of all, that there is a lot of information still missing
9 from this picture. There are a number of areas that,
10 certainly, we would have liked to have explored in cross-
11 examination that simply time did not allow for. We need
12 a lot more information about rate-design options,
13 although I -- we have a very, very brief filing from the
14 -- from the Utility and we had Mr. Warden, who was able
15 to describe those options very briefly. We've not had
16 anything like a meaningful discussion about them, and
17 certainly my clients are not confident that they
18 understand what the options are, much less what their
19 pros and cons are.

20 It's time to revisit who pays what and why
21 and how. We need to think about the surcharge again and
22 is this the best way to do it, and if so, where -- how
23 should it be set?

24 My clients are not confident that we have
25 much, if any, information, but the reasonableness of

1 operating in capital expenditures, we've not had an
2 opportunity to test that evidence. We have very little
3 information about the impact of rates and rate increases
4 on these communities. And we need information from the
5 people in those communities. It's fair to say that
6 affordability and ability to pay are huge issues.
7 They're big issues anywhere, but they're particularly big
8 in these communities.

9 There's very little information available
10 to us today on DSM, what's going on in those communities,
11 what's working, what isn't, what's possible; my clients
12 have a lot of questions in that area, in particular.
13 They have questions in the area of health and
14 environmental impacts of diesel generation and the future
15 of diesel generation and whether this is really how we're
16 going to continue to serve these customers going into the
17 future.

18 If it is, we're going to have to figure
19 out how to make it work. If it's not, then we're going
20 to have a whole different set of questions to answer. So
21 we need to -- to gather more information in that area as
22 well.

23 We have, before the Board, some
24 information about what it costs to provide this service,
25 and we may not have the best information but we have

1 some, but there's a lot more that goes into rate design
2 and -- and a rate -- rate level than simply cost. If --
3 if it was simply a matter of adding up the numbers, we
4 wouldn't need the Public Utilities Board. We have the
5 Board because there are a lot of different factors that
6 need to be considered.

7 So given that -- the gaps in the
8 information available, my clients are somewhat distressed
9 at -- at trying to put together a recommendation for the
10 Board. There has been very little time to -- to consider
11 the information. The -- the -- Hydro's filing was
12 received on Monday night, which gave the -- my clients
13 three (3) working days to review that information.

14 One (1) of the reports, the -- the
15 recommendation -- recommendations for reducing or
16 eliminating the use of diesel fuel in these communities,
17 that report was received on Friday. New information is
18 still coming in. We haven't got responses to some of the
19 undertakings, and I appreciate that that's, you know,
20 Hydro is working under deadlines as well and they didn't
21 have a lot of time to -- to consider my undertakings. So
22 I -- I'm don't mean that in a critical way but we don't
23 have that information.

24 My clients have had very little
25 opportunity to review any of this with their consultant

1 who would probably be able to offer them some insight.
2 So my clients are in the position where they can't really
3 make a useful recommendation because they don't have the
4 -- the pieces of the puzzle to -- to do that.

5 And it's their submission that the Board
6 is not in a position to make the necessary findings that
7 it needs to make to set a rate. Nor, unfortunately, can
8 my clients offer concrete suggestions with respect to
9 rate design.

10 I -- I would like to address the -- the
11 reality that everyone in this room must be thinking about
12 which is: Should we not increase these rates at least on
13 an interim basis so that we are not continuing to accrue
14 deficits at the level that we have been accruing them?

15 And I've discussed that issue with my
16 clients and -- and the position that they take is, that
17 it's not appropriate. They're reluctant to ma -- to make
18 any kind of a recommendation when we don't know what's
19 going on and when -- when what we're doing, really, is
20 putting a band-aid on an open wound. And so what we
21 really need to do is fix these issues and -- and come to
22 terms with them.

23 So they are reluctant to recommend
24 anything, they're certainly reluctant to reme --
25 recommend a rate increase. If the Board is inclined to

1 increase the full cost rate as an interim measure to --
2 to sort of slow the bleeding, as it were, my clients
3 would strongly urge the Board not to go all the way to
4 sixty three point one five (63.15) cents, that a 50
5 percent rate increase would be a significant blow to
6 these communities and these customers.

7 The other reason, I -- I will come back to
8 why it is probably not appropriate to -- to take those
9 kinds of steps, is it's not clear on the record that many
10 of those customers who will be affected by these rates
11 have had notice, and that is of concern to my clients.

12 So what do we recommend, having -- having
13 told you what I don't recommend? The first thing that my
14 clients feel confident in recommending is that we need a
15 full hearing on the issue of diesel rates. It could be a
16 standalone hearing. It could be rolled into the GRA.
17 Either option is workable.

18 My clients would be inclined to suggest a
19 standalone hearing because of the risk of these issues
20 getting lost in the shuffle of the GRA, it's such big
21 hearing and there's so many other issues, we'd be
22 concerned about getting the attention it deserves, but
23 it, in part, depends probably on the Board's calendar.

24 My clients would recommend that that
25 hearing be held sooner rather than later, certainly not a

1 year, or two (2), or three (3) years down the road,
2 within the next few months, I would hope.

3 We would ask that there be a proper filing
4 with more complete information, that there be the
5 opportunity for Information Requests, pre-filed evidence,
6 enough time to conduct a meaningful cross-examination,
7 potentially presentations or -- or evidence from people
8 within the community and other affected parties.

9 There were, as I recall, presentations
10 last time by the school division, various businesses in
11 the -- in the neighbourhood. I'm not sur-- neighbourhood
12 -- in the communities and so on. Potentially, there
13 might be a need for Intervenor evidence, that -- it's not
14 yet clear whether that would be necessary, but that's --
15 we need to keep that option open.

16 One (1) of the purposes of that hearing,
17 and -- and I'm sure Hydro will continue to work on this
18 in the meantime, would be to look at the future of
19 diesel. Is this where we're going to continue to go down
20 the road. Diesel is a very high cost option, but it is
21 still, at least on a capital level, the cheapest of the
22 available options. It comes with health and
23 environmental impacts that we've not had an opportunity
24 to explore but are, nonetheless, very real in those
25 communities.

1 The Provincial Government has passed
2 legislation, as we've all seen, mandating continuing
3 efforts to reduce greenhouse gases and mandating Manitoba
4 Hydro to explore options for reducing or eliminating
5 reliance on diesel fuel. Manitoba Hydro has prepared a
6 report that we've all probably not had a chance to look
7 at but now have sitting in front of us. Several options
8 are presented in that report. None of them are perfect.
9 All of them are expensive. But it would not be safe at
10 this moment in time to assume that di -- that we are
11 going to continue to rely on diesel into the future. In
12 fact, we -- we've heard that funding has been applied for
13 to build a transmission line.

14 Now it appears that perhaps the only one
15 that -- the only part of that that's being seriously
16 considered is Shamattawa, but that's still a material
17 change. What the future holds for diesel generation is
18 going to have a material impact on what are the
19 appropriate solutions to the issue facing this Board in
20 these communities.

21 In -- in terms of -- of other advice that
22 my clients can offer to this Board, they would like to
23 remind the Board of some of the priorities that -- that
24 they often talk about when we come here, in terms of
25 affordability.

1 When we talk about diesel, my clients think about an
2 appropriate contribution from Government and appropriate
3 contribution from the grid. There is, of course, always
4 the nature to encourage efficiency, and there's a need to
5 facilitate efficiency and make that possible for
6 customers.

7 We need to look at protecting grid
8 customers from escalating costs and we need to take into
9 account the issue of rate shock. When we talk about
10 affordability, unfortunately, the Hydro Panel didn't have
11 a lot of information to offer about the economic
12 circumstances in these communities. I don't think it's a
13 stretch for the Board to take notice that these are poor
14 communities. Many of those customers are going to be low
15 income; whether -- whether we can put a number to that
16 level or not, these are low income communities.

17 We don't have information about the rate
18 of arrears, the number of disconnections. My clients
19 certainly have concerns that those rates are probably
20 pretty high, especially rates of arrears.

21 And when we look at rate increases for
22 these customers, the impacts are serious. There's their
23 bills. Yes, they get grid rates for the first 2,000
24 kilowatt hours, but there's a significant proportion of
25 customers who are paying, at least occasionally, that

1 full cost rate.

2 But aside from that, there's the cost of
3 goods and services. And -- and even if the cost of the 4
4 quart or 4 litre jug of milk has not gone down, if Hydro
5 rates go up by 50 percent, I think you can be confident
6 that that 4 litre jug of milk is going to cost a lot
7 more. And that's the reality that these customers live
8 with and we need to be mindful of that.

9 Now, the Board says --

10 MR. ROBERT MAYER: The Northern Stores
11 promised us that, if the rates went up, the milk would go
12 up. That's in your --

13 MS. MYFANWY BOWMAN: I believe -- I
14 believe them. The Board said, in its decision in 2004,
15 that ability to pay lies outside the regulatory arena.
16 And I say this with respect, but in my client's view, the
17 Board was wrong; and I'll tell you why.

18 Electricity is an essential public
19 service. In 2009, in North America, people are not
20 required to go without electricity if they're poor; they
21 shouldn't be. Rightly or wrongly, for many of these
22 people, electricity means heat. They live in a cold
23 place, and it means heat; maybe it shouldn't, but it
24 often does. It means light, it means hot water, it means
25 cooking, it means refrigeration, and it means a

1 connection to the outside world through access to the
2 internet and so on, and so forth. And in an isolated
3 community, that's a big deal.

4 If electricity rates are so high that a
5 significant portion of the population can't pay them,
6 those rates are not just and reasonable. So,
7 affordability and ability to pay matter. And that is my
8 client's firm position.

9 Moving on to another priority, my clients
10 are also confident in asserting that an appropriate
11 contribution from government is necessary here, and --
12 and that government has a role to play. There are, of
13 course, arguments going both ways, there's -- there's
14 Section 91.24 of the Constitution Act, which gives the
15 Federal Government jurisdiction over Indians and lands
16 reserved for Indians. There's Manitoba Hydro's duty to
17 serve customers across the province. There's truth to
18 both of those -- those arguments, and there's no question
19 about it.

20 But CAC/MSOS are confident in asserting
21 that there is a historic and enduring responsibility on
22 the part of the Federal Government to assist in the cost
23 of electricity service for these communities. And quite
24 frankly, the government has been paying all these years,
25 not as a charity, but because they recognize that

1 obligation. This is an essential public service, and the
2 government has an obligation to make sure that it is
3 available to these customers.

4 Section 36.1(c) of the Constitution Act of
5 1984, provides that Parliament and the legislatures,
6 together with the Government of Canada and the provincial
7 governments are committed to providing essential public
8 services of reasonable quality to all Canadians. These
9 people are Canadians and they are entitled to
10 electricity. So, CAC/MSOS have no doubt that the primary
11 responsibility here lies with the Queen and Right of
12 Canada.

13 That being said, my clients also recognize
14 an obligation on behalf of the grid customers to
15 contribute to this cost of service. They believe that
16 obligation is secondary to the governments' obligation,
17 but they do recognize that there is a role to be played
18 by the grid customers as well. And in fairness, the grid
19 is already contributing. It may well be time to look at
20 that issue again, and find out whether the appropriate
21 balance is being struck, and whether, not only the
22 amounts, but the structure of those amounts is
23 appropriate.

24 There is always the need for efficiency,
25 it's always important. And it's even more important in

1 would like the Board to consider, is protecting grid
2 customers from escalating costs. Costs continue to rise
3 everywhere, not just in the diesel zone. Diesel is the
4 highest cost generation that Manitoba Hydro runs, it
5 would appear. Given the scale of the gap between the
6 cost to serve and the ability to pay, a full cost
7 recovery is -- is impossible from these customers.

8 Does that mean that we visit the
9 difference on the grid customers? No. They have a
10 limited ability to make up that difference, and that's
11 why we look at the -- the balancing of the obligations of
12 the grid versus the primary obligation of the Federal
13 Government. Asking the grid customers to bear the -- the
14 brunt of that responsibility would be inconsistent with
15 just and reasonable rates. We need to examine the costs
16 that are occurring and determine what steps are possible
17 to control those costs, and I look at different options
18 for dealing with them.

19 My clients also asked the Board to be
20 mindful of rate shock. And in -- increase in the
21 variable cost -- variable full cost rate from forty-one
22 point two seven (41.27) cents to sixty-three point one
23 five (63.15) cents, a difference of approximately 50
24 percent, is rate shock anywhere. There's no way to say
25 otherwise. It's even more so in a largely low income

1 community. We need to be mindful of the impact of rate
2 increases both within the diesel zone and on the grid
3 customers.

4 So I'm not sure how much help I've been
5 able to offer the Board. My clients share the Board's
6 concern about these issues and would like to -- to play a
7 role in -- in reaching a resolution and solving these
8 problems. But their recommendation is going to have to
9 be a full hearing with more information.

10 If the Board is considering raising the
11 rate in the interim, raising the full-cost rate, we would
12 ask you to be mindful of the priorities that I've
13 identified and to be mindful of -- of the impacts of --
14 of any potential rate increase. We certainly would
15 encourage the Board, if it is considering rate increase,
16 not to go all the way to sixty-three point one five
17 (63.15) cents.

18 So on behalf of my clients, I thank the
19 Board for allowing us to be here and for the opportunity
20 to participate in this Hearing to make these suspic --
21 these submissions, and we thank the Board for requiring a
22 public hearing on this issue because it was time.

23 Thank you, those are my comments.

24 THE CHAIRPERSON: Thank you, Ms. Bowman.
25 Thank you for the participation of yourselves and your

1 client.

2 We move now to MKO and Mr. Anderson.

3 MR. MICHAEL ANDERSON: Thank you very
4 much, Mr. Chair.

5 THE CHAIRPERSON: By the way, Mr.
6 Anderson, before you begin, just back to Ms. Ramage.

7 When we come to you, Ms. Ramage, we'll
8 give you a couple of options. There's a lot of comments
9 being made. You can either present your closing argument
10 today or if you want, you can present it in written form
11 in a couple of days. So you can think about that, but
12 we'll certainly have a break after Mr. Anderson to give
13 you an opportunity to think it over.

14 Mr. Anderson...?
15

16 CLOSING SUBMISSIONS BY MKO:

17 MR. MICHAEL ANDERSON: Thank you very
18 much, Mr. Chair.

19 I think whether it's at the beginning or
20 the end, I need to -- I ought to provide a couple of
21 comments on at least MKO's view of the status of the
22 interim -- of the tentative settlement agreement.

23 Well, there's three (3) parties to it and
24 two (2) of them have spoken. And I had a discussion with
25 Ms. Collins (phonetic) and she had suggested it might be

1 worthwhile to place a few comments on the record here to
2 the extent we can do so, given the confidential nature of
3 the process.

4 In terms of the status of the document --
5 the agreement documents, we agree with Vince that we have
6 substantially a package of all of the elements of a
7 settlement agreement, that the minor revisions to account
8 for the passage of time and real-world events, we have
9 done through the period of time. There -- the pen has
10 been held by Manitoba Hydro and INAC, and in the course
11 of doing that, we have also made some improvements to --
12 to keep it up to date.

13 So I concur with Mr. Warden that we have a
14 -- instead of elements of a joint common draft of a
15 tentative settlement arrangement, to some extent MKO's
16 perspective is that speaks for itself in that, in April
17 of 2008, we flowed the last monies under the capital
18 contribution payment.

19 And without going into the inner workings
20 of the Chiefs and Councils involved, clearly the
21 rationale for proceeding to implement such a significant
22 step in good faith was our confidence that we had a joint
23 common draft that was substantially developed and
24 assurances amongst the parties exchanged, if I can
25 provide at least that information, that we were at that

1 stage. So we were all comfortable that we were -- had
2 arrived at a point.

3 In terms of the passage of time, some of
4 the -- perhaps it would assist Ms. Bowman and others is -
5 - I would make the obvious historical facts -- remind us
6 that there were two (2) Federal elections and several of
7 the key people here in Manitoba Region Indian Affairs
8 were -- one (1) in particular was involved in that
9 lengthy audit process that was taking place.

10 And each of these un -- immovable events,
11 well beyond the ability of Manitoba Hydro, MKO, or INAC
12 to address, came at critical times for us, two (2)
13 Federal elections and this one (1) Federal audit.

14 So in each -- there were points in time
15 when we thought we were ready to go, and something like
16 that, of that magnitude, would take place. I -- I
17 commend the parties for keeping at it and working at
18 maintaining the intent to proceed with the agreement in
19 good faith. As I've described, the three wolverines have
20 been banished to the bush with some very substantial sums
21 of money flowed in good faith by the First Nations, so
22 we've achieved a lot.

23 I thank the Board for maintaining the
24 interim ex parte orders which dropped rates in the
25 communities in December '04 by about half and

1 substantially relieved the burden. If that rate order
2 had been approved in rates of -- a government rate at two
3 thirty four (234) a kilowatt hour, two dollars and
4 thirty-four cents (\$2.34), two hundred and thirty-four
5 cents (234) kilowatt hour had been enacted, it would have
6 caused a substantial financial impact. So I would say
7 that we've achieved a lot in dealing with a very
8 complicated service.

9 Our expectation now, in terms of the
10 matters that are ahead of us, there was a reference made
11 to litigation filed by the diesel First Nations. I just
12 make the small point, and the Board has the ability to
13 review this, that in the joint common draft provided in
14 confidence to the Board, the subject matter of this
15 litigation is expressly referred to.

16 So I leave that with you to review, and I
17 apologize to those that aren't parties to the agreement,
18 nor have copies of it, but it is not a surprise, nor is
19 it something that was unusual. The parties considered
20 the language necessary to provide for it.

21 In terms of the outstanding matters that
22 are now in front of us that have been reported, firstly,
23 by Hydro, and then by Indian and Northern Affairs, as may
24 exist between MKO and INAC, I make the one (1) point that
25 those matters arose after we flowed the final monies in

1 April of 2008, so there's something new on the landscape,
2 and we're looking forward to INAC's statement of written
3 position regarding these two (2) matters.

4 In terms of the substance of the
5 Proceeding and dealing with diesel rates, I -- I note
6 that in the -- the science of co-management, particularly
7 fisheries management, and I'll just add this for my own
8 brief comment, there's something known as a "wicked
9 problem," and this is an academic terminology that's used
10 for difficult to manage systems.

11 And in coastal fisheries management, I'm
12 sure you could imagine that a wicked problem may occur
13 many places. The diesel system, with the -- the growing
14 gap between revenues and costs, the potential impacts on
15 other customers on the grid system, and so forth, may
16 seem to be a wicked problem, but I'm confident that our
17 original approaches at the very beginning are that we can
18 arrive at the provision of service to these communities
19 in a manner that's affordable and provides for efficiency
20 and reliability and is just and reasonable.

21 Taking a bit of liberty to do -- to go
22 back a bit in time to Order 159/'04, which is in Mr.
23 Peters' book at Tab 4, and the page reference would be
24 page 10, there's a very hopeful comment that the Board
25 had picked up from Manitoba Hydro's submissions at that

1 time.

2 And I'll read this into the record:

3 "Manitoba Hydro reported that it
4 intends to build on its initial
5 meetings with the communities and its
6 related consumer education and
7 conservation initiatives. Manitoba
8 Hydro projected that its efforts would
9 eventually lead to reduced consumption
10 of energy and corresponding reductions
11 in customer bills and the subsidy to
12 the diesel zone."

13 Now, that's a very positive and
14 encouraging statement, and I think really that's the
15 theme of our work before us, to give effect to reducing
16 costs, controlling consumption, and to, for that period
17 of time that the system is served by diesel energy that's
18 supported by rates paid by diesel customers, that an
19 optimum effort is made to give effect to this.

20 I also make the point that that's a
21 December -- a statement made in December 22nd, 2004, and
22 here we are, almost in December 2009. And if I refer the
23 Board in considering the issues, I had said at the outset
24 that we consider the -- the low income programs and
25 decide -- demand side management programs, those things

1 that are intended to control costs and consumption, to be
2 at least as important as the science of how we handle the
3 costs and establish rates.

4 Mr. Mayer, in his comments at my -- the
5 end of my exchange with Mr. Kuczek in the 2008 GRA, you
6 had asked Mr. Kuczek:

7 "I think we have an understanding that
8 you've answered three (3) or four (4)
9 questions from me that now basically
10 tell us that this is a work-in-
11 progress?"

12 And Mr. Kuczek responded, "That's
13 correct." And that was after a lengthy examination which
14 I invite the Board to review again for its own purposes,
15 at transcript fif -- one (1) -- 1524 to 1552, of the 2008
16 GRA.

17 Clearly we have to make it more than a
18 work-in-progress in terms of initiating these measures
19 within the diesel First Nations. We must have on-the-
20 ground progress. The type of on-the-ground progress that
21 Manitoba Hydro had set in 2004 would result in re --
22 reductions and customer bills and the subsidy to the
23 diesel zone. We must achieve a -- a progress on those
24 measures.

25 I think the -- the Board ought to re-

1 examine its directives in Number 18 and its Order
2 116/'08, and to try to pursue these to the extent
3 possible and practical results. The discussion I had
4 with Mr. Kuczek, again, in the 2008 GRA and substance on
5 these matters, seemed to indicate that there were
6 considerations about how Manitoba would deal with the
7 landlord pot -- portion of home audit costs and the
8 differences, as Ms. Bowman talked about, about customer-
9 owned facilities and those that are not owned by the
10 customer, the named customer and so forth.

11 To resolve these issues and to make these
12 programs available, I would also suggest that, as part of
13 that, that for example, the substantively-documented
14 walk-around that Mr. Warden had displayed to us to some
15 extent in that binder, that similar to our submission in
16 the 2008 GRA that at least in the diesel zone that these
17 be the subject of Utility -- direct Utility investments
18 in DSM measures within the diesel First Nations.

19 Mr. Dunsky (phonetic) talked about the
20 limitations of market-based approaches during that
21 proceeding. We concurred with that evidence and we still
22 hold it to -- at this time to be particularly important
23 to consider for the diesel First Nations. We're dealing
24 with First Nations that -- for which the materials are
25 not in the stores, I can confirm that from my personal

1 visits to the communities, where I have literally
2 examined furnace filter sizes, gone into basements,
3 looked at them, gone to the Northern Store to see if
4 they're there, they're not. I've looked at washers that
5 need to be installed and so on.

6 I apologize for giving evidence in a final
7 submission but the essence is: The availability of
8 materials is a real issue. Logistics is a major concern,
9 especially for home owners that may not even have long
10 distance telephone service. Capital is extremely scarce,
11 certainly by communities which may exceed 85 percent
12 unemployment, and a First Nation Government that may be
13 in some form of management for which its funds are not
14 under its direct control, and which is the circumstances
15 in some of these communities.

16 The rationale for the background for that,
17 of course, we -- I -- I would invite you -- suggest that
18 it not so much be viewed as an accountability matter but
19 to go back to Mr. Mills' evidence to talk about the
20 limitations in O&M funding at the outset to remot -- to
21 small communities. And because of their limit -- limited
22 other sources of funds, those limitations and funding
23 become -- are exacerbated in government services, and
24 that would include finding capital to do improvements for
25 conservation and other measures.

1 In terms of the significance of the
2 communications that we had discussed with Mr. -- Mr.
3 Warden about the 2,000 kilowatt-hour step and that Dr.
4 Avery Kinev had mentioned about Hydro's awareness of
5 these -- the significance of these things.

6 I was just doing some quick math based on
7 the evidence and I go to Tab 9, page 18, and hopefully my
8 math is correct, if I looked at the amount of customers
9 being charged the estimated or forecast to consume
10 electricity at the runoff rate, and assuming the forty-
11 one point two seven (41.27) cents, that the runoff rate,
12 I -- I get an income of -- a revenue of a hundred and one
13 thousand three hundred and twenty-nine (101,329).

14 Now, if it's correct that 7.5 percent of
15 all the customers are consuming those runoffs through
16 their bills, realizing that there are others that get one
17 (1) time bills but may -- the evidence was that there was
18 primarily 7 and a half percent of customers, that would
19 convert to an additional two thousand five hundred and
20 thirty-three dollars (\$2,533) a year for those 7.5
21 percent cu -- for those forty (40) customers that we're
22 talking about, or an additional two hundred and eleven
23 dollars (\$211) a month. Now that's an enormous bill
24 impact.

25 So when we began the process of examining

1 the efficacy of the 2,000 kilowatt hour step, you will
2 recall that MKO was very concerned about taking every
3 measure possible to maintain every customer within the
4 2,000 kilowatt hour step.

5 And the discussion that we've had
6 previously with Mr. Wiens about the multiplexes with the
7 single meter and so on was part of our hope, if not
8 commitment that we would receive from Hydro to take every
9 step to make sure that every customer is below the 2,000
10 kilowatt hour step, if humanly possible, through
11 education, and through investments in their facilities,
12 re-metering if necessary, because those are impacts that,
13 at the current rates, are difficult to bear, and lead us
14 into the discussion that Ms. Bowman had touched on about
15 really examining rates and rate impacts.

16 We -- we do -- clearly do require another
17 special hearing on the diesel zone to sort all of this
18 out. Rate and rate impacts, I agree, that we require
19 additional evidence on. It would be my intention to
20 bring panels from each of the four (4) communities to
21 describe things like the question, how much is a 2 -- 2
22 litre carton milk in the Northern Store? It's -- it's
23 about fourteen (14) bucks.

24 MR. ROBERT MAYER: Four (4) litre.

25 MR. MICHAEL ANDERSON: A 4 litre, well,

1 the big jugs. The -- the 2 litres are approximately
2 thirteen dollars (\$13), I can tell you.

3 Rate and rate impacts, the ability to pay,
4 which is something that we've raised before, and clearly
5 there is an importance here because we have a high cost
6 to serve, we have a widening gap between costs and
7 revenues. And clearly, the ability of customers to pay
8 the bills is essential to the stability of the operation
9 of the diesel system in terms of Manitoba Hydro's
10 revenues.

11 Affordability, clearly, is an issue that's
12 significant, we've raised this before. The Board has
13 recently, or relatively recently, expressed an interest
14 in low income programs and affordability; we're grateful
15 for that. We think that the interest that com -- that is
16 being applied to the combined gas and electric service
17 ought to be particularly focussed on the diesel system.

18 That leads us to the availability of bill
19 assistance programs because then that draws us directly
20 to the disconnection and re-connection policies, all of
21 which are interrelated and flow from these extremely high
22 costs.

23 As the Board may know, of course, that the
24 disconnection and re-connection policy in the all
25 electric zone, or service, the grid service, where

1 there's not gas, is under hydro's jurisdiction, and
2 essentially flows, as I understand, from the regulation,
3 that they have the authority under the regulation to --
4 to discontinue service in the event that bills are not
5 paid. And the requirement to make heat, that the Board
6 has -- has captured in its decision, in the combined
7 gas/electric service in its February '08 decision, is
8 inapplicable to the diesel First Nations.

9 So I -- I respectfully, but -- and
10 hopefully not too dramatically say, that if you're on the
11 gas system you can get a load limiter and make heat all
12 winter. If you're on the -- if you're in a diesel
13 community on an all electric system, you can literally be
14 left to freeze in the dark.

15 I know that Manitoba Hydro attempts to go
16 to great lengths to make arrangements, but the end result
17 is, if you pull a meter in a remote community, you have
18 no electric service, you have no connection, it may
19 effect your telephone depending on how your phone is
20 used, if you have a wireless that you have to plug in and
21 recharge and so on. There are -- there are considerable
22 impacts. It affects your food in your freezer, a lot of
23 things, particularly for low income families, that are
24 very significant.

25 We do know that there have been

1 disconnections; we were looking for that information as
2 an undertaking. But we consider the matter to -- of
3 affordability, and the ability for customers to routinely
4 pay their bills, to be of great significance.

5 And my tiny illustration about the impact
6 of the runoff rate on bills is enormous. One hundred
7 (100) kilowatt hours, a small tiny amount of that 2,000
8 kilowatt hour step, at the existing rate, runoff rate, is
9 forty-one dollars (\$41); at the proposed rate it would
10 sixty-three (63).

11 Well, someone who might be able to pay
12 their bill at grid rates may not be able to pay their
13 bill with a hundred kilowatt hours over the step, 2,100
14 kilowatt hours, getting billed sixty-three dollars and
15 seventeen cents (\$63.17); that may actually tip there
16 into a situation where they're into billing assistance
17 and arrears and disconnects, if that happens on a series
18 of months.

19 Now in my discussions with Mr. Kuczek, we
20 were also talking about the types of programming, having
21 mentioned the direct utility investment of the
22 walkthroughs, that Hydro had literally take that
23 walkthrough list and establish it as a program and begin
24 to invest in it. It includes the smaller programs that
25 are kind of under the radar but caught within the

1 legislative framework that Mr. Peters has kindly packaged
2 for us.

3 In his Tab 12, he included the winter --
4 heat -- Heating Cost Control Act, and even though some of
5 its provisions have not been yet proclaimed, it does --
6 it does intend to point to all heating sources.

7 And at transcript 1552 again of my
8 discussion with Mr. Kuczek in the 2008 GRA, he'd
9 indicated that the ordinary maintenance of furnaces,
10 tuning of furnaces, replacement of filters and so on is
11 not captured within the ordinary Manitoba Hydro programs.
12 And in the diesel First Nations it's critical that it
13 must be.

14 A lot has been made about space heaters,
15 and I've got a little note here on the side of my
16 transcript "space heaters." It's our view that with an
17 inefficient primary heating device, for example, plugged
18 filters, plugged con -- vents and conduits, that it's may
19 -- may be necessary for some homeowners to put in
20 supplemental heating in order to provide basic heat,
21 particularly for young children, the Elders and those
22 that are ill.

23 So there needs to be a comprehensive
24 energy services approach taken in the diesel First
25 Nations that include measures that are -- that touch --

1 that are applied to fuel oil heating devices, as well as
2 to the primary electrical service, to take a
3 comprehensive all-energy services approach.

4 The object is we want to reduce the
5 consumption in the communities to the extent that it --
6 it -- it reduces the requirement for additional capital.

7 We've discussed in previous proceedings
8 that there's a perverse disincentive to conserve where
9 you have a cost of service or a utility system that is
10 basically captive. If you reduce the number of -- if you
11 have an installed capital system, the fuel farm, the fuel
12 in storage, the generators, and you start reducing the
13 number of kilowatt hours that that fixed system is
14 generating, it starts to increase the average cost per
15 kilowatt hour.

16 So actually, you -- you want the thing
17 running just at its peak all the time to reduce the
18 average cost being applied in rates to each customer.

19 Now unlike the Manitoba Hydro grid system
20 which, if you conserve, it's exported. You have a market
21 for the energy, so you can use it to offset your costs.
22 And that's exactly what happened and we discussed that in
23 my tiny illustration about the 65 percent RCC for
24 residential without net export revenues.

25 But in the diesel system, the original

1 capital investment is critical to maintaining affordable
2 rates. And so the decision to install additional
3 generators is clearly linked to consumption, load growth
4 and to whether or not, we submit, DSM programs have been
5 aggressively applied to their maximum limit.

6 It's our view that an 825 kilowatt
7 genset ought not to be taken to Tadoule Lake to address
8 cold load pickup unless Tadoule Lake's conservation
9 opportunities have been maximised; unless load
10 sectionalizers to address the cold load pickup
11 requirements have been installed. That way you look at
12 every option to -- to reduce, as -- as Manitoba Hydro had
13 said and the Board had noted in Order 159/04, the need
14 for additional capital expenditures.

15 And we don't see that being done. We see,
16 with respect, some very good work. I'm very happy with
17 these work -- the effect of the work-arounds I've seen.
18 I looked at copies of them. But to me, it's a shopping
19 list for investment that the First Nation is unable to
20 make. So that leads us to the Utility direct investing,
21 potentially hiring local community members to do much of
22 the work, but to aggressively pursue implementation of
23 these measures.

24 Otherwise, we may end up indefinitely with
25 a wicked problem where we have long lists of opportunity

1 that can't be met, growing gaps between costs and
2 revenues that need to be addressed by the Board or borne
3 by other customers.

4 And so it leads me to another potential
5 rather hopefully not too bold suggestion, but it also
6 illustrates the point.

7 There was an interesting -- and I thank
8 you for that discussion of options that took place
9 between Ms. Bowman and Mr. Warden on what to do, how to
10 solve this problem.

11 There were -- the options are -- are
12 comprehensive, but the one (1) that really would drive
13 the investment in conservation would be what we've
14 suggested many times, the application of uniform rates to
15 the diesel service. That would cost Manitoba Hydro the
16 amounts that Mr. Warden had specified, but it would also
17 create an enormous incentive for the Utility to invest in
18 DSM, because the customers in the grid would be demanding
19 it, as well as the customers in the diesel zone, in order
20 to reduce and offset the cost impact on them.

21 So instead of a service which is, in my
22 terms, you know, apparently moving along as a wicked
23 problem, with a large number of options and growing gaps
24 in costs and revenues, we would then potentially move
25 ourselves toward, really, an example, in international

1 shining example of the application of the very best in
2 DSM and conservation technology in a remote community,
3 which would clearly be consistent with the Winter Heating
4 Cost Control Act and with the Climate Change and
5 Emissions Reduction Act, as well as with, of course, our
6 understanding and view of the Crown Corporation's
7 Accountability Act, the Manitoba Hydro Act, and the
8 Public Utilities Board Act, that all of these objectives
9 would then be met.

10 So it all seems to be focussed on who's
11 going to invest, who's going to take the step to make DSM
12 and conservation a reality in these four (4) communities.
13 Who's going to door-to-door and replace all of these
14 compact fluorescents and -- and remove and replace the
15 furnace filters and to tune up all the furnaces? And the
16 answer really is, the only one with the wherewithal to do
17 it and the skill is Manitoba Hydro.

18 And so, with that, I take -- with great
19 interest, I've reviewed the -- the financial material.
20 And even with the -- the way the numbers have been
21 changing as we've discussed them, partly as a result of
22 them as being assembled quickly in response to the
23 Board's inquiry, it gives us a snapshot that clearly is
24 sufficiently sobering and serving as an incentive to try
25 to ensure that some of these forecasts do not continue to

1 widen in terms of gaps and these costs do not
2 uncontrollably increase into the future.

3 The object, of course, at the end of the
4 day, you -- many of you will recall that I shared that
5 the leadership had expressed to me one (1) of their
6 responses about the Board's Order, December 23rd, '04, in
7 which the rates were cut in half.

8 The comment was, well, that's fine, but we
9 really need to see it at the -- here in the community in
10 terms of more affordable power, less -- lowered costs in
11 the Northern Store, and so forth.

12 So with the Board's tracking of its
13 Directive 18 in 116/08, and the implementation of some of
14 these -- the recommendations that MKO has made that
15 particular focussed on direct utility investment and DSM,
16 there certainly would be a marked change in the provision
17 and use of energy in these four (4) communities, which is
18 really what everyone's been hoping for.

19 We agree that 2,000 kilowatt hours ought
20 to be sufficient to provide for the needs of each of
21 those households, but we raise the -- the point again
22 highlighted by Manitoba Hydro's own document in terms of
23 recognition.

24 In terms of the recommendations for
25 reducing or eliminating the use of diesel fuels to supply

1 power in off-grid communities, that in multiple family
2 households, that those consumption limits may be diffi --
3 difficult to achieve, even under the best of terms.

4 So having had the opportunity to say all
5 of these -- make all these comments in respect of the
6 Manitoba Hydro's filing, I thank the Board. I thank
7 Manitoba Hydro and Board counsel for the opportunity to
8 provide both an update on a settlement agreement that
9 we'd like to see signed real soon and on really what is
10 the larger picture, which is providing affordable service
11 to the four (4) diesel First Nations.

12 Thank you, Mr. Chair.

13 MR. ROBERT MAYER: Mr. Anderson, as one
14 (1) of the parties -- you're representing one (1) of the
15 parties to this tentative agreement or draft issue that
16 we now have. We did hear from Ms. Anderson-Lindsay that
17 somebody is going to get a clear and unequivocal letter
18 from INAC. I'm assuming that at least includes MKO. And
19 that's going to happen, I think, by the end of January, I
20 thought I heard her say -- end of November, sorry, a
21 couple -- a couple of weeks.

22 I don't know whether this is a take it or
23 leave it issue because there's some -- I -- I hear
24 there's the issue of it's going to contain a draft
25 wording of some of the material. Do you have any

1 comments on that letter and what, if anything, do you
2 know about it?

3 Well, what, if anything, can you tell us
4 is what I suppose I should ask.

5 MR. MICHAEL ANDERSON: Well, of -- of
6 course, Mr. Mayer, I can't comment on the letter in that
7 I haven't received it or reviewed it, which is -- and I
8 say that just because that's the circumstance.

9 In terms of its detail, I'm not aware of
10 what it might say. I had mentioned earlier that Indian
11 and Northern Affairs Canada had raised two (2) matters
12 after we flowed all of the undepreciated capital funds to
13 Canada.

14 And we've been in some discussion with
15 INAC regarding those matters. We have certainly some
16 idea of the scope of them but not the detail. And we're
17 all -- we would like to see it as much as -- as anyone
18 because we're certainly interested in moving on.

19 We'd like to focus all of our energies on
20 energy services in the four (4) diesel First Nations as
21 distinct from an arrangement that we had believed that we
22 had resolved with the hard efforts of all parties
23 previously. I mean, again, we thank Hydro for their
24 efforts, Ms. Ramage for her contributions and drafting.
25 I mean, there's a long list, but we'd like to get to the

1 point where it's signed so we can thank everyone. And
2 we're looking forward to this correspondence from Indian
3 and Northern Affairs.

4 I can tell you, though, that the matters
5 as they've been summarized to us are of great
6 significance to the First Nations. And we're eagerly
7 looking for it and hoping that we can work through
8 whatever language is provided to us as quicky as Ms.
9 Anderson-Lindsay has suggested. Thank you.

10 THE CHAIRPERSON: Thank you, Mr.
11 Anderson.

12 Ms. Ramage, do you want to take a short
13 break and come back or what's your preference?

14 MS. PATTI RAMAGE: A short break, and
15 we'll come back.

16 THE CHAIRPERSON: Okay. So we'll come
17 back in -- how much time do you need?

18 MS. PATTI RAMAGE: Fifteen (15) minutes?

19 THE CHAIRPERSON: That's fine.

20

21 --- Upon recessing at 2:15 p.m.

22 --- Upon resuming at 2:45 p.m.

23

24 THE CHAIRPERSON: Ms. Ramage...?

25

1 CLOSING SUBMISSIONS BY MANITOBA HYDRO:

2 MS. PATTI RAMAGE: Thank you, Mr. Chair.

3 In providing Manitoba Hydro's closing
4 submission, I guess I'd like to begin first off by just
5 simply saying Manitoba Hydro takes exception to
6 CAC/MSOS's statement that this is a mess. This is not a
7 mess and the issues aren't unresolved. It -- it's not a
8 mess. There's been a lot of positive things that have
9 happened in the last five (5) years. And that's the --
10 if we look at Order 17/04, that was five (5) years ago,
11 we've had a lot of positive things.

12 At the time Order 17/04 was issued, I
13 could say fairly I was thinking we had some immoveable
14 mountains ahead of us and that I wasn't sure where the
15 Board was going, telling us to head off to mediation at
16 that time, and I truly was sceptical about how far we
17 could go. And I think we did move mountains as a result
18 of that mediation. There's been a lot of positive
19 things.

20 We had a 3.2 million unpaid surcharge;
21 it's been paid. We had 28.8 million in undepreciated
22 capital; it's been paid. We had 16.9 million accumulated
23 deficit; we've dealt with that using net exports and
24 we've amortized that over ten (10) years and that was all
25 intended in the minutes of settlement and it's all

1 happened.

2 And let's not forget what -- then, when
3 those ten (10) years are up that net export allocation
4 will be applied to reduced cost in those communities.
5 Those are all huge steps forward for those communities.
6 And to suggest that it is a mess is simply unfair to that
7 entire process and the parties who participated in it.

8 We're making a lot of progress on DSM and
9 -- and Power Smart, as well. We heard Mr. Anderson say
10 that he's pleased with the headway we're making in those
11 communities.

12 We're also looking at biodiesel and we're
13 looking at land lines. Those are all things that are
14 really new and exciting for diesel communities. Whether
15 they happen or not, we don't know, but there's been a lot
16 of progress.

17 Five (5) years ago -- or we -- did we
18 think all of this would happen? I -- I certainly was
19 thinking -- was sceptical how far we could go, but we've
20 done a lot. Now some of that is going to be outside of
21 this forum and -- and I would suggest, we have to be
22 mindful that things like landlines aren't going to happen
23 in this room, that's going to be parties out -- outside
24 of here. So I wouldn't suggest, again, that we have
25 hearings to discuss what has to be dealt with by parties

1 outside of this room.

2 We see that customers are generally
3 adhering to the 2,000 kilowatt hour limit. And, again,
4 contrary to the suggestion of CAC/MSOS, it's not a
5 significant number who don't. 7.5 percent of the bills,
6 which represents, as Mr. Anderson calculated, 3 percent
7 of consumption, is not a significant number of people not
8 adhering to that -- to that cap.

9 I would suggest the price signals are
10 there, and those price signals are working; that's what
11 those numbers tell us. And those that do adhere to that
12 2000 kilowatt hour limit share with other Manitobans in
13 the lowest rates in North America.

14 Those are all signs of real progress in
15 this matter, and I would hate to see any of that progress
16 move backwards because we jump ahead because we don't
17 have a signed agreement today.

18 We share the -- we understand the Board's
19 frustration in not having a signed agreement and we share
20 in it, but Manitoba Hydro is almost past that now. We've
21 -- we're moving forward as best we can, but understand
22 the Board's frustration in still working from an interim
23 rate structure.

24 MR. ROBERT MAYER: Ms. Ramage, you have
25 to understand the Board's concern when Ms. Anderson-

1 Lindsay tells us we're in -- we're back to drafting; that
2 we don't have a tentative agreement, we're back to
3 drafting. That's what I thought I heard -- I heard her
4 say.

5 MS. PATTI RAMAGE: Yes, I -- I heard that
6 also and -- and I -- I can share your concern on that. I
7 think it's important to note that we're not back to
8 drafting any of the clauses that affect the Manitoba
9 Hydro diesel rate structure. I think we heard that from
10 Ms. Anderson-Lindsay also.

11 The matters at issue aren't dealing with
12 any of the points that the Board cited as reasons for
13 approving this rate structure back in 2004. And the real
14 issue at this juncture, as pointed out by Mr. Warden in
15 his direct, is whether or not the gap between the costs
16 and revenues is fair and reasonable under the
17 circumstances. We don't want to go backwards and start
18 revisiting the rate structure and everything else. It's
19 the gap that we have to look at.

20 In January of 2009, the Board said no to
21 an increase when it -- when it saw the numbers, it said
22 no, it didn't believe it was fair and reasonable to
23 increase that right now, and they're going to be
24 revisiting that issue in January of 2010.

25 At the same time, we've heard from INAC

1 and MKO that they're going to be attempting to hammer out
2 their differences, and we're going to see something from
3 INAC on November 30th. So hopefully, we're going to be
4 able to see some real progress in the -- in the next few
5 months on -- on those points.

6 MR. ROBERT MAYER: That's something else
7 I wasn't clear on and I -- sorry to interrupt you. This
8 letter that's coming from INAC with its clear and
9 unequivocal position in drafting wording, are you getting
10 a copy? Are you getting that letter, or is that just
11 going to MKO? I didn't get a chance to ask Ms. Anderson-
12 Lindsay that and I had intended to.

13 MS. PATTI RAMAGE: I don't know the
14 answer to that. I -- I think it would be fair to say
15 that Manitoba Hydro has not been actively involved in
16 these discussions other than to try to prod the parties
17 along. I -- I hope that we see that.

18 I was going to suggest that the Board
19 might request -- I'm not sure that it -- it has the power
20 to order, but an update from those parties on -- on
21 what's happening on that issue, because that would get us
22 to the signed agreement and getting -- putting aside the
23 interim order part of this.

24 But from our perspective of Manitoba Hydro
25 today and what our Board is considering is what's the --

1 the reasonable gap, and that's what -- what we're -- we
2 came to talk about here in terms of suggesting that today
3 there -- there is no cause to -- or it wouldn't be the
4 right thing to do to increase the rates out of what we've
5 heard today, not only because, as other parties have
6 correctly pointed out, not everyone is -- has been
7 served, not all the customers are aware of this
8 proceeding, but also because Manitoba Hydro's Board
9 itself is going to be looking at this in -- in a couple
10 of months, in -- in January, and we will be in a position
11 at that time to advise the PUB of our Board's rate
12 recommendation after that January meeting.

13 And I think that's the time to then move
14 forward to the next step, and we would suggest it be
15 incorporated into a -- into the GRA if -- if that's
16 necessary. We'll already have the process in place. The
17 parties in the room will already be there and, as I've
18 indicated, we don't think that we need -- there should be
19 a hearing -- a hearing to discuss land lines, a hearing
20 to discuss new rate structures.

21 The rate structure in place is working.
22 It's the gap that we need to talk about, and that can be
23 accomplished in a GRA far more efficiently than waiting
24 until -- conceivably until a GRA is over to start up yet
25 another process.

1 MR. ROBERT MAYER: But we -- our
2 understanding is is we don't know what's going to happen
3 at your Board at the end of January.

4 How long do we wait?

5 MS. PATTI RAMAGE: Well, we could
6 certainly provide a report to you immediately after that
7 January meeting as to what their decision is with respect
8 to diesel, but it is my understanding diesel will be on
9 the agenda for that meeting.

10 MR. ROBERT MAYER: But diesel was on the
11 agenda in January of '09 too, and we didn't hear anything
12 about that until we started asking questions.

13 MS. PATTI RAMAGE: That's true. But this
14 time you will have the undertaking to hear of it, and
15 there was a decision. It wasn't a ignore-the-issue
16 question, it was a -- the decision was: This is what we
17 think these people can afford.

18 MR. ROBERT MAYER: And I --

19 MS. PATTI RAMAGE: And we're not --

20 MR. ROBERT MAYER: -- certainly
21 understand that. We were -- everybody was telling us we
22 were going into a recession at that point in time and
23 nobody was wildly excited about seeing anybody increase
24 rates, especially when they were talking about
25 concessions to some of the people who, in some people's

1 opinion, probably could afford it. I understand that.

2 MS. PATTI RAMAGE: So, in conclusion it
3 would be Manitoba Hydro's recommendation, out of -- out
4 of this process, for the Board to await with interest,
5 with keen interest, to see what the -- what the Manitoba
6 Hydro's Board recommendation is in January, and to
7 monitor the situation as it relates to the outstanding
8 issues between MKO and INAC, and -- because we do
9 understand the Board has a keen interest in that and as
10 does Manitoba Hydro.

11 And I think that concludes our submission.
12 Thank you.

13 THE CHAIRPERSON: Okay. Thank you, Ms.
14 Ramage. I appreciate it. We thank all participants to
15 this one (1) day Hearing and we particularly want to help
16 -- or thank here -- we'd like to help too, but we
17 probably don't -- want to thank Mr. Peters for his work
18 in preparing for this Hearing, and it all worked out
19 within the day that we had available.

20 So we appreciate the update and we'll give
21 a lot of thought to what we heard today. And in due
22 course you will know what the Board thinks, but not
23 today.

24 So we stand down. Thank you.

25

1 --- Upon adjourning at 2:55 p.m.

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6 Certified correct,

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Cheryl Lavigne, Ms.

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