



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re :

MANITOBA HYDRO

GENERAL RATE APPLICATION

2014/15 AND 2015/16

Before Board Panel:

Regis Gosselin - Board Chairperson

Marilyn Kapitany - Board Member

Richard Bel - Board Member

Hugh Grant - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

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Pages 3222 to 3405

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25

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1 --- Upon commencing at 9:00 a.m.

2

3 THE CHAIRPERSON: Good morning. I
4 think we're probably ready to start today's
5 proceedings, so good morning, everyone. I believe we
6 have some matters to attend to, Mr. Czarnecki, before
7 we start, or do we -- or, Ms. Fernandes, pardon me.

8 MS. ODETTE FERNANDES: Thank you, Mr.
9 Chairman. Yes, we do have some responses to
10 undertakings to file this morning. The first one is an
11 undertaking, which we have marked as number 8, which is
12 for us to provide the current code requirements in
13 Manitoba, identifying where there are differences
14 between regions. And I believe we are now on Manitoba
15 Hydro Exhibit number 69.

16 MR. KURT SIMONSEN: That's correct.
17 Thank you.

18

19 --- EXHIBIT NO. MH-69: Response to Undertaking 8

20

21 MS. ODETTE FERNANDES: The next one is
22 a response to Manitoba Hydro Undertaking number 42,
23 which is for us to file the EBITDA interest coverage
24 ratio. And for the court reporter, that's E-B-I-T-D-A.
25 And that would be Manitoba Hydro Exhibit number 70.

1 --- EXHIBIT NO. MH-70: Response to Undertaking 42

2

3 MS. ODETTE FERNANDES: We also have a
4 response to Undertaking number 34, which was to file
5 calculations that give rise to information showing
6 export revenue changes, finance expense changes, and
7 power purchase changes to determine the overall net
8 impact on net income. And that would actually be
9 Manitoba Hydro Exhibit number 71. It is accidentally
10 marked as sixty-eight (68), but that's seventy-one
11 (71).

12

13 --- EXHIBIT NO. MH-71: Response to Undertaking 34

14

15 MS. ODETTE FERNANDES: And then finally
16 we have the final version of the Power Smart Plan to
17 put on the record as discussed yesterday by Mr. Kuczek,
18 and that would be Manitoba Hydro Exhibit number 72.

19

20 --- EXHIBIT NO. MH-72: Final version of the Power
21 Smart Plan

22

23 THE CHAIRPERSON: Thank you, Ms.
24 Fernandes. With that, I'll turn the microphone over to
25 you, Mr. Gange. Good morning.

1 MR. WILLIAM GANGE: Good -- good
2 morning, Mr. Chair and members of the panel. Today
3 Green Action Centre is very pleased to produce --
4 present its evidence through Mr. Roger Colton. I will
5 be conducting a presentation with respect to qualifying
6 Mr. Colton that will be relatively brief, and -- and
7 then Mr. Colton will be presenting his testimony.

8 Mr. Simonsen, I don't know if you want
9 to affirm -- swear Mr. Colton now, or after the
10 qualifications? Might as well do it now.

11

12 GAC PANEL 1:

13 ROGER COLTON, Sworn

14

15 EXAMINATION-IN-CHIEF BY MR. WILLIAM GANGE (QUAL):

16 MR. WILLIAM GANGE: Diana, if you could
17 bring up Appendix A of Mr. Colton's pre-filed
18 testimony. Mr. Colton, you have appeared as a witness
19 before the Public Utilities Board of Manitoba
20 previously.

21 Is that correct?

22 MR. ROGER COLTON: Yes.

23 MR. WILLIAM GANGE: And at that time,
24 in 2011, you were qualified and -- and accepted as an
25 expert by the Public Utilities Board, if you recall

1 that, sir?

2 MR. ROGER COLTON: Yes.

3 MR. WILLIAM GANGE: Your background,
4 sir, is that you obtained a law degree from the
5 University of Florida in 1981?

6 MR. ROGER COLTON: Yes.

7 MR. WILLIAM GANGE: You have a master's
8 of economics from Antioch University that you achieved
9 in 1993, correct, sir?

10 MR. ROGER COLTON: Yes.

11 MR. WILLIAM GANGE: You also have an
12 undergraduate degree from Iowa State University in
13 1975?

14 MR. ROGER COLTON: Yes.

15 MR. WILLIAM GANGE: And from the time
16 of your graduation in 1981 you commenced working for
17 the Community Action Research Group, correct, sir?

18 MR. ROGER COLTON: Yes.

19 MR. WILLIAM GANGE: And in that
20 position, the majority of your work was dealing with
21 energy and utility issues?

22 MR. ROGER COLTON: Yes.

23 MR. WILLIAM GANGE: From 1986 until
24 1994 you were a staff attorney with the National
25 Consumer Law Centre, correct, sir?

1 MR. ROGER COLTON: Yes.

2 MR. WILLIAM GANGE: And your duties
3 with the National Consumer Law Centre would have
4 focussed on what areas?

5 MR. ROGER COLTON: At the Consumer Law
6 Centre my work was with respect to public utility
7 regulation as it specifically affects low-income
8 households.

9 MR. WILLIAM GANGE: And you also are
10 one (1) of the cofounders of the consulting firm
11 Fisher, Sheehan, & Colton. You've been doing that
12 since 1985 along with your time at the National
13 Consumer Law Centre.

14 Is that correct, sir?

15 MR. ROGER COLTON: That's correct.

16 MR. WILLIAM GANGE: And the areas that
17 you have focussed on with your consulting firm would --
18 would include what areas?

19 MR. ROGER COLTON: Well, in the last
20 twenty (20) years at FSC with the consulting firm, I
21 have worked on customer service rate issues as they
22 relate to residential customers, low-income customers,
23 energy assistance, housing issues, and the like, but
24 basically housing and utility issues, housing and home
25 energy issues.

1 MR. WILLIAM GANGE: And, sir, during
2 the time from 1985 until the present, you have been
3 actively involved in the review, design, and
4 implementation of energy affordability programs in
5 various jurisdictions.

6 Is that fair, sir?

7 MR. ROGER COLTON: Yes.

8 MR. WILLIAM GANGE: And the CV is
9 lengthy in terms of the number of presentations and --
10 and consultations that you've had.

11 But can you just list a few of the
12 jurisdictions that you've worked in, in which you've
13 worked on energy affordability programs?

14 MR. ROGER COLTON: Well, in the United
15 States, every state that has an energy affordability
16 program I've had a finger in to one (1) extent or
17 another starting in the -- in the New England states
18 with Maine, New Hampshire, Massachusetts, Connecticut,
19 moving on down the east coast into Maryland, New York,
20 Pennsylvania, moving out west into Ohio, Illinois,
21 Colorado, out further west.

22 But I have been involved with states in,
23 I would say, thirty (30) to thirty-five (35)
24 jurisdictions. I have then in Canada been involved
25 with a number of provinces now, Nova Scotia, Ontario,

1 of course here in Manitoba, soon to be in British
2 Columbia. Not all of those provinces, of course, have
3 affordability programs, but I have worked in a variety
4 of provinces.

5 MR. WILLIAM GANGE: Right. And -- and
6 you just mentioned British Columbia. You're currently
7 -- you've been retained to -- to assist one (1) of the
8 Intervenors with respect to the British Columbia
9 utility's situation.

10 Is that correct, sir?

11 MR. ROGER COLTON: That's correct.

12 MR. WILLIAM GANGE: And I understand,
13 sir, that sometimes your clients are low-income
14 consumer groups, correct?

15 MR. ROGER COLTON: That's correct.

16 MR. WILLIAM GANGE: But you've also
17 been retained from time to time by energy companies
18 themselves to design affordability programs?

19 MR. ROGER COLTON: That's correct. I -
20 - I have worked with the full range of stakeholders.
21 At the governmental level I've worked with federal
22 government agencies for the United States such as
23 Housing and Urban Development, HUD; the Health and
24 Human Services, which is the agency that administers
25 the federal Fuel Assistance Program. I -- I have

1 worked with the utilities themselves; Xcel Energy
2 is a client of mine. Entergy is a client of mine.
3 Baltimore Gas and Electric in the past, Fitchburg
4 (phonetic) Gas and Electric. I've worked with a
5 variety of natural gas and electric utilities
6 themselves.

7 MR. WILLIAM GANGE: And you mentioned
8 that you've had involvement in Ontario.

9 My understanding, sir, is that the
10 Ontario government recently introduced legislation with
11 respect to affordability issues?

12 MR. ROGER COLTON: Yes.

13 MR. WILLIAM GANGE: And that
14 legislation came about after your involvement with --
15 with a -- a community group.

16 Is that correct, sir?

17 MR. ROGER COLTON: There is one
18 community based organization in particular, Action
19 Centre for Tenants Ontario which I worked with, but the
20 other organization is really an organization of
21 organizations. The Low-Income Energy Network, LIEN, is
22 a coalition of organizations.

23 MR. WILLIAM GANGE: Mr. Chair, I -- I'm
24 going to ask that Mr. Colton be qualified to testify
25 before this Board with respect to low-income

1 affordability issues.

2 THE CHAIRPERSON: Thank you, Mr. Gange.

3 Could I hear from Manitoba Hydro please?

4 MS. ODETTE FERNANDES: I discussed this
5 with Mr. Gange yesterday, but I'm just confirming that
6 Mr. Colton is not being qualified as a lawyer with
7 expertise in the interpretation or application of
8 Manitoba law?

9 MR. WILLIAM GANGE: That -- that's
10 correct. Mr. Colton -- the -- just for clarification,
11 Mr. Chair, there was one (1) undertaking -- or one (1)
12 Information Request that was provided that dealt with
13 jurisdictional legal issues. That infor -- the -- the
14 answer to that was not provided by Mr. Colton. It was
15 provided by my office and I've advised Ms. Fernandes
16 that -- that Mr. Colton will not be attempting to
17 testify about the law of Manitoba. That's something
18 that will be dealt with in final argument by -- by my
19 office.

20 THE CHAIRPERSON: Thank you for that.

21 MS. ODETTE FERNANDES: Other than that
22 Manitoba Hydro has no objection.

23 THE CHAIRPERSON: Thank you -- thank
24 you, Ms. Ferna -- Fernandes. Mr. Williams?

25 MR. BYRON WILLIAMS: We have no

1 objections to the qualification of Mr. Colton as an
2 expert in the analysis, design, and implementation of
3 bill affordability programs. And we think that's an
4 appropriate ambit for his expertise. And on a personal
5 note I've been reading his stuff for years and we're
6 very glad that he's here.

7 THE CHAIRPERSON: Mr. Williams, could
8 you repeat that again please? The...

9 MR. BYRON WILLIAMS: We think he's
10 demonstrated expertise in the analysis, design, and
11 imple -- implementation of bill affordability programs.

12

13 (BRIEF PAUSE)

14

15 THE CHAIRPERSON: Mr. Gange, do you
16 have any problems with what --

17 MR. WILLIAM GANGE: Oh, no. That
18 covers the -- the waterfront.

19 THE CHAIRPERSON: Thank you. Now, over
20 to you, Mr. Orle, please.

21 MR. GEORGE ORLE: Thank you, Mr. Chair.
22 We -- we accept the qualifications of Mr. Colton as an
23 expert on the same terms as set out by Mr. Williams.

24 THE CHAIRPERSON: Thank you, Mr. Orle.
25 Mr. Masi, please.

1 MR. TOMAS MASI: We have the same
2 position, Mr. Chair.

3

4 (BRIEF PAUSE)

5

6 RULING (QUAL):

7 THE CHAIRPERSON: The panel will --
8 will accept the qualification of Mr. Colton as an
9 expert on the analysis design implementation of bill
10 affordability programs, so thank you for that.
11 Welcome, doc -- Mr. Colton. Welcome.

12 MR. ROGER COLTON: Thank you.

13 MR. WILLIAM GANGE: With that -- thank
14 you, Mr. Chair. I'm just going to make a couple of
15 preliminary points, and then I'm going to turn the
16 microphone over to Mr. Colton, and I'll just get out of
17 the way.

18 We have filed the direct testimony and
19 exhibits of Mr. Colton with the Board. It -- it -- you
20 have that. It's a fairly lengthy document. The
21 presentation today is -- has been filed with the Board.
22 I believe that it's been given Exhibit number 4.

23 MR. KURT SIMONSEN: That's correct.
24 Thank you.

25 MR. WILLIAM GANGE: Thank you, Mr.

1 Simonsen. And with that, Mr. Chair, I'm simply going
2 to turn doc -- Mr. Colton loose.

3

4 PRESENTATION:

5 MR. ROGER COLTON: Thank you, Mr.
6 Chair, and thank you, members of the Board. Next
7 slide. I'm going to, in the next little bit, discuss
8 the -- the outlines of my testimony. And my testimony
9 was really presented in four (4) parts. The first part
10 dealt with Manitoba Hydro's current response to
11 inability to pay.

12 The second part addressed the impact
13 which rate affordability programs have on payment
14 patterns and payment practices of inability-to-pay
15 customers. The third section addressed the impact that
16 a rate affordability program would have on the -- the
17 Province of Manitoba in its capacity as a prov -- as a
18 government and as owner of Manitoba Hydro.

19 And then the fourth part, and the part
20 that I'm going spend most of my time on in this
21 summary, deals with a -- a variety of reasonable bill
22 affordability models. One (1) message that you will
23 hear today is that there is no single correct
24 affordability model. There are a range of -- of
25 models, some of which are reasonable, some of which are

1 less reasonable. But what I will do is not recommend
2 any model, but to simply lay out the existing
3 alternatives.

4 The next slide. One (1) -- the first
5 section of my testimony dealt with Manitoba Hydro's
6 current response to inability to pay. And I'm not
7 going to spend a lot of time on summarizing this,
8 because I think the real interest is in looking at the
9 impacts of affordability programs and the models from
10 which one can choose in designing a made in Mani --
11 Manitoba affordability program.

12 Basically, what I state in this section,
13 however, is that when one looks at a -- a bill
14 affordability program, one needs to approach it in much
15 the same way that we were looking at energy efficiency
16 twenty (20) or thirty (30) years ago. There needs to
17 be a change in the thinking, in the mode of thinking,
18 just as twenty (20) or thirty (30) years ago, energy
19 companies were saying that it makes no sense to have us
20 spend ratepayer money to convince someone -- to
21 convince customers to use less of our product. Today,
22 that would not be an argument that we hear.

23 In this -- along the same lines, what we
24 hear a lot today is that a utility shouldn't do an
25 affordability program because it is a, quote, "social

1 program." And increasingly, people are beginning to
2 recognize that even though a utility program may be a -
3 - a rate affordability program may be a social program,
4 it is also an effective and cost-effective way to
5 address bill payment problems and the collection of
6 revenue from inability-to-pay customers.

7 What we find with Manitoba today is that
8 Manitoba really, when it addresses inability to pay,
9 there is a -- a lack of proactive planning. There is
10 no customer segmentation study that's been done. There
11 is no study of people who don't pay their bills to
12 determine who those non-payers are, what the indicators
13 of a -- a non-payer might be. There is not a -- a
14 proactive planning process addressing inability to pay.

15 There's a lack of performance standards.
16 Manitoba Hydro can't say that any of its collection
17 activities have a particular impact on reducing
18 arrears, that Manitoba -- we asked, and Manitoba Hydro
19 couldn't provide us any information that indicates that
20 their current credit and collection activities has an
21 impact on reducing uncollectibles, has an impact on
22 reducing disconnections of service for non-payment.
23 There is no benchmarking, either internally or between
24 itself and other companies on its activities addressing
25 inability to pay. There's a lack of performance

1 standards.

2 There's a lack of adaptation to changing
3 circumstances. What we find with Manitoba Hydro is
4 that Manitoba Hydro continues to do what it has done in
5 the past. When it faces non-payment problems, it
6 continues to issue disconnect notices, even though
7 disconnect notices -- it -- it can't show us that
8 disconnect notices have any impact on controlling
9 arrears or uncollectibles.

10 It continues to enter into deferred
11 payment arrangements, even though those deferred
12 payment arrangements, deferred payment plans, are --
13 are unsuccessful. Deferred payment plans from Manitoba
14 Hydro are not an effective way to generate payments
15 toward arrears. It continues to simply impose late-
16 payment charges, even though late-payment char -- the
17 impact of late-payment charges is to increase the bill
18 to people who can already not afford to pay their
19 bills.

20 And finally, there is a lack of a
21 coordinated response toward inability-to-pay customers.
22 The -- there is a difference between what occurs on
23 paper and what occurs in reality, and Manitoba Hydro
24 asserts that it makes an effort to coordinate its
25 crisis program with its energy efficiency program. But

1 the numbers indicate that that simply doesn't occur.

2 And I need to cheat here and check my notes.

3 But, for example, in the last four (4)
4 years, the unduplicated participation in the Low-Income
5 Energy Efficiency Program and the Crisis Assistance
6 Program was fifteen thousand, eight hundred and fifty-
7 six (18,856) customers. So that's the crisis program,
8 the efficiency program.

9 The number of customers who participated
10 in both of those programs combined, over four (4)
11 years, was sixty-two (62). So the coordination between
12 the crisis program and the efficiency program missed on
13 99.6 percent of the cases. The highest duplication
14 between the efficiency program and the crisis program
15 in a single year, out of the most recent four years,
16 was eighteen (18).

17 So there is a lack of a coordinated
18 response to inability to pay. And that happens because
19 -- or that happens even though there are tens of
20 thousands of customers on the Company's -- or in the
21 Company's service territory.

22 So in response to that, I believe,
23 unreasonable response or a lack of response to
24 inability-to-pay customers -- next slide, please -- we
25 have the ability in Manitoba, as elsewhere, to

1 implement a rate affordability program. The exact
2 design of that rate affordability program, I'll talk
3 about in a little bit. But let me talk about some of
4 the impacts, and I'm going to talk about some of the
5 impacts of rate affordability programs that we find --
6 that we've found elsewhere.

7 One (1) of the key concepts that I talk
8 about in my direct testimony, however, is the
9 difference between a cost-benefit -- or a benefit-cost
10 analysis and a cost-effective is -- cost-effectiveness
11 analysis. And when one uses a cost-effective ana --
12 effectiveness analysis, rate affordability programs
13 have been shown to be not only good social policy, but
14 good business policy, from the perspective of the
15 utility in its capacity as a -- a utility.

16 What a cost-effectiveness analysis asks
17 is: What interventions achieve the greatest outcomes,
18 given a -- a particular level of input? Or if -- you
19 can also flip that and say: For any given level of
20 input -- for a given level of input -- what given level
21 of input generates the greatest outcomes?

22 The outcomes that we're seeking from
23 inability-to-pay customers, as I talk about in my
24 testimony, are really -- can really be measured by a
25 number of metrics. What a utility wants is it wants

1 regular payment. It wants complete payment. It wants
2 payment without need for intervention to generate that
3 payment. It wants timely payment, and it wants
4 continuing payment over time. There are five (5)
5 metrics there.

6 And those metrics aren't -- aren't
7 revolutionary. The -- the utility bills a customer.
8 It wants timely payment, complete payment, regular
9 payment, payment without needing to chase somebody with
10 interventions. And if you are a customer for two (2)
11 years, it wants payment over the entire two (2) year
12 period.

13 A cost-effectiveness analysis is
14 designed to determine what approach, what tool in the
15 tool box of a utility, what business tool in the tool
16 box of a utility will generate those outcomes with the
17 least input. And this is what I'm going to talk about
18 for the next few minutes. Next slide, please?

19 The first impact that we found with rate
20 affordability programs, this slide is actually from New
21 Jersey, which has what's called a percentage of income
22 plan. And what this slide shows you is down the left-
23 hand side is what the energy -- the home energy burden
24 is on the household. The burden is a bill as a
25 percentage of income.

1 So 2 percent means that the customer's
2 bill represents 2 percent of the customer's income,
3 going down to 6 to 8 percent, or more than 8 percent,
4 meaning the customer's bill represents more than 8
5 percent of income.

6 In New Jersey, the affordability goal is
7 3 percent of income. An -- an affordable bill has been
8 def -- defined as 3 percent of income for electricity.
9 For electric heat, it's 6 percent of income, but this
10 is for non-electric heat, or for gas as a standalone.

11 Here's what we see here. A couple of
12 things to find here. If you look in the upper right-
13 hand corner, you'll see that customers who have home
14 energy burdens of 2 percent, or 2 to 3 percent, so
15 within the affordable range, are paying anywhere from
16 97 -- 93 to 97 percent of -- or 90 percent or more of
17 their bill in 93 to 97 percent of the cases.

18 I sort of muddled that. Did people
19 follow that? So they pay 90 percent or more of their
20 bill in 93 to 97 percent of the cases, if the bill is
21 affordable. If you go down to the bottom of those two
22 (2) columns to the lower right-hand corner, you'll find
23 that when bills become less affordable, or
24 unaffordable, people don't pay their complete bills.
25 So they're not succeeding in meeting those five (5)

1 performance metrics that I set out.

2 You get down to customers who -- whose
3 bills are unaffordable. They pay -- or they are billed
4 more than 8 percent of their income, only 73 percent of
5 those folks pay their bills 90 percent or more of the
6 time. More disturbing, however, is actually at the
7 other end of the -- the spectrum, the people who pay
8 less than -- or 50 percent or less than their bill, you
9 find that we've eliminated those folks entirely.

10 For people who are billed an affordable
11 bill, there are still 5 percent of the customers who
12 pay less than 50 percent of their bill in New Jersey
13 when they receive an unaffordable bill. And if you
14 move up one (1) column to the 50 to 90 percent, what we
15 see there is that 40 some percent -- 41 -- 42 percent
16 of customers who receive an unaffordable bill are
17 paying 50 to 90 percent of their bill, whereas people
18 who receive an affordable bill are paying 50 to 90
19 percent in only 3 to 6 percent of the cases. So this
20 slide shows that as bills become affordable, people pay
21 more of their bills. And that's something that a
22 utility wants in its capacity as a utility.

23 The next slide please. At the same time
24 that a utility is collecting more money what this slide
25 shows is that the utility has to work less hard to

1 collect that money. This money -- or this slide talks
2 about a collect -- a collection efficiency. What
3 'efficiency' means is productivity, and productivity
4 means how much do you accomplish, given a given level
5 of inputs; or again on the flip side, how much in
6 inputs do you have to -- to generate? How much do you
7 have to spend either in money or in effort to generate
8 a given level of output?

9 What this slide shows is the cumulative
10 disconnect notices per one thousand (1,000) customer
11 payments for affordability payments -- this is out of
12 Colorado -- for people who participate in an
13 affordability program versus people who do not
14 participate in an affordability program. So disconnect
15 notices in Colorado was used as the measure of
16 collection activity. Because when you reach the point
17 of get -- sending a disconnect notice, that implies a
18 number of subsidiary collection activities as well.
19 And if you can collect more payments while sending more
20 disconnect notices, engaging in more collection
21 activities, then you're collecting more money and
22 you're working less hard in the process of collection.

23 The blue line is the affordability
24 program participants. You'll see that the blue line
25 shows that there were about point two (.2) disconnect

1 notices that Xcel Energy Public Service Company of
2 Colorado, which is the subsidiary of Xcel, had to send
3 for every one thousand (1,000) payments that it
4 received.

5 And then we -- we segmented the non-
6 participants to see if it made a difference what the --
7 the pre-existing arrears for non-participants was. And
8 we found that it really didn't make much of a
9 difference. The -- the picture shows the -- the story
10 here. Public Service Company of Colorado, when it sent
11 an affordable bill, it had to work less hard to
12 generate every one thousand (1,000) customer payments
13 it receives -- it received.

14 And it really didn't make any
15 difference. We looked -- which metric we used. We
16 looked at it from a number of different levels. We
17 also looked at -- and this data is presented in my
18 testimony -- we also looked at it in terms of for every
19 one thousand dollars (\$1,000) received. And Public
20 Service Company of Colorado had to less -- work less
21 hard in an affordability program to generate every one
22 thousand dollars (\$1,000) in payments.

23 So what we find in these first two (2)
24 slides is that through an affordability program a
25 utility is collecting more money and it is spending

1 less in the process of collection. And that is,
2 setting aside whether that's good social policy or not,
3 that's a good business policy from the perspective of
4 the utility in its capacity as a business. Social
5 policy has nothing whatsoever to do with it. It is
6 good business policy.

7 The next slide please. The next thing I
8 talk about in my testimony is that we don't simply want
9 short-term suc -- success in collections. We want
10 long-term success as well. We experienced, and I
11 showed in my testimony, that one (1) thing that
12 Manitoba Hydro does is it enters into payment plans and
13 people fail on those payment plans, which means that
14 people fall back into arrears and then have to enter
15 into a new payment plan later, and they fail in that
16 payment plan.

17 We find that people receive disconnect
18 notices and even if they make their payment in response
19 to the disconnect notice, they then later fall back
20 into arrears and they receive another disconnect notice
21 in -- in the future. So even if there is a short-term
22 success, there's not a long-term success in generating
23 payments. So this slide, too, is from the public
24 service company of Colorado evaluation of their
25 affordability program. And this shows the percent of

1 customers who received a disconnect notice who had a
2 payment coverage ratio of more than one point zero
3 (1.0) in the four (4) months after they received the
4 disconnect notice. Now, let me try to put that in real
5 English.

6 So if somebody received a disconnect
7 notice and if they have a payment coverage ratio of
8 more than one point zero (1.0), what that means is that
9 they paid their entire current bill in the next four
10 (4) months and made some payment toward their arrears.

11 If they have a payment coverage ratio of
12 less than one point zero (1.0), then that means that in
13 the four (4) months after they received the disconnect
14 notice they didn't even pay their current bill. And so
15 they -- since they didn't pay their current bill, that
16 means that they didn't pay any of their arrears either.

17 So this looks at the number of -- or the
18 proportion of customers who over a more extended period
19 of time, not just a short-term success, but over a more
20 extended period of time, were paying their -- all of
21 their current bill plus paying off their arrears.

22 And you'll see the redline is the
23 affordability program. And you'll see that 70 percent
24 -- the program got to the point where 70 percent or
25 more of the affordability program participants, even

1 when they -- even after -- even when they had an
2 arrears to the extent that they received a disconnect
3 notice, so that implies a certain level of arrears,
4 were paying over an extended period of time all of
5 their current bill plus paying off their arrears.

6 In contrast, the people who were not
7 receiving affordability assistance were doing that in
8 less than 30 percent of the cases. So the
9 affordability program more than doubled the long-term
10 success of people paying their bills, and that's what
11 we want as -- as people who are interested in
12 collections from a business perspective.

13 Again setting aside the -- the social
14 policy completely, what we want is we want people
15 paying their entire bills over a long period of time.
16 And an affordability program can take folks, the unable
17 to pay folks, and improve -- significantly improve the
18 ability to achieve that outcome, that business outcome.
19 Next slide, please.

20 And finally, there is an impact of
21 affordability programs on the ability to send and
22 receive price signals. Basic economic theory tells us
23 that a price signal -- and I'm going to ask that we
24 simply accept for the time being that sending price
25 signals is -- through electric rates is an appropriate

1 thing to do. We -- we all talk about that and energy
2 efficiency program designs. We talk about that in
3 rates, so I'm not going to talk -- I'm not going to
4 discuss that. I'm going to ask that we accept that.

5 But basic economic theory tells us that
6 in order for a price signal to be effective the price
7 signal has to be received and the price signal has to -
8 - and the customer has to be able to respond to that --
9 that price signal.

10 As I tell people, I don't own a
11 Lamborghini. I can't afford to pay five hundred
12 thousand dollars (\$500,000) for a Lamborghini. If the
13 price of the Lamborghini was two hundred thousand
14 dollars (\$200,000), I still wouldn't own a Lamborghini.
15 The price signal has no impact because I have no
16 ability to respond to it. Price signals are designed
17 to allow customers and to guide customer choices. And
18 when they don't have the ability to receive the -- the
19 information on what choices are available or when they
20 don't have the ability to respond to the choice, to
21 make the choice, then price signals don't make -- don't
22 make any difference.

23 Price signals for inability-to-pay
24 customers really don't work when the -- when the
25 customer's bill is more than they can afford. If the

1 customer can afford to pay sixty dollars (\$60) just
2 with -- like with my Lamborghini, if the customer can
3 afford to pay sixty dollars (\$60), whether the utility
4 bill is one hundred dollars (\$100) or a hundred and
5 dollars (\$120), it makes no difference from the
6 perspective of sending a -- a price signal.

7 In addition, when customers are in
8 arrears, the price signal is diluted. And I talked
9 about that and showed it numerically in my direct
10 testimony. If somebody owes a five hundred dollar
11 (\$500) arrears, the fact that the bill goes up by 10
12 percent doesn't mean that the customer is seeing a 10
13 percent -- or just because the rates go up 10 percent
14 doesn't mean that the customer sees a 10 percent
15 increase in their bill, because the -- the signal that
16 they are responding is the 'has to pay amount', is the
17 total bill. And the total bill is the bill for current
18 service plus arrears.

19 And so as long as the Company has a
20 significant population of customers that have
21 significant arrears, the price signals to those
22 customers will be diluted, if not eliminated,
23 altogether. And this is an analysis I did in
24 Pennsylvania, the Duquesne Light, Metropolitan Edison,
25 PECO, Penelec, Pennsylvania Electric Company,

1 Pennsylvania Power and Light, PPL Utilities. And this
2 shows how far away inability-to-pay customers, low-
3 income customers, for those companies were in -- in
4 their ability to send an effective price signal.

5 When bills are -- are brought down to an
6 affordable level. When we talk about price signals
7 through electric rates then we are making price signals
8 more efficacious for the inability-to-pay customers and
9 that's good for -- for all of us.

10 Next slide, please. So just to
11 summarize for a minute. The two (2) things that I want
12 to point out on this slide are the second and third
13 bullets here. What I would suggest to you today, and
14 what I suggested in my -- what I more than suggested,
15 what I demonstrated in my testimony, is that a bill
16 affordability program can be -- is and can be a more
17 cost-effective approach for dealing with customer
18 inability to pay.

19 And there are unquestionably social
20 implications for an affordability program, but the
21 social outcomes associated with a bill afford -- a bill
22 affordability program are above and beyond the business
23 outcomes associated with a bill affordability program.
24 The social outcomes need not be considered in deciding
25 that a bill afford -- a bill affordability program is a

1 good business policy from the perspective of the
2 utility.

3 The next slide, please. What -- I
4 demonstrated and I provided a -- a list. This is not
5 theory that I'm talking about. I provided a list as an
6 appendix to my testimony that has more than seventy
7 (70) evaluations that I listed and I indicated that I
8 could provide those electronically, for the most part,
9 if anybody wanted to see any of those seventy (70)
10 evaluations.

11 But the -- the impacts that I've been
12 discussing are not theoretical, they're real. They've
13 been empirically demonstrated. They've been shown
14 through programs over the last twenty-five (25) years.
15 I demonstrated that an affordability program will
16 result in an increase in the bill payment coverage by
17 low-income customers.

18 I demonstrated that a bill affordability
19 program will demon -- will result in increased
20 productivity by the utility in its collection efforts
21 towards ina -- unable-to-pay customers. I've
22 demonstrated that there is an increased long-term
23 success of collection efforts.

24 I've demonstrated that there are
25 improved price signals. All of those are business

1 impacts that the program will generate.

2 Next slide, please. I have to step
3 aside for just a moment and indicate too that -- I'm
4 not going to dwell on this, that a bill affordability
5 program will also have imp -- have positive impacts on
6 the provincial government in its provin -- in its
7 governmental capacity. So not in its capacity as a --
8 a utility customer, but in its capacity as a -- well,
9 in its governmental cap -- capacity and in its capacity
10 as owner of Manitoba Hydro.

11 I demonstrated in my testimony that a
12 bill affordability program will have ancillary impacts
13 on bringing down the cost of providing education in the
14 province. It will have benefits to the province in its
15 governmental capacity on reducing homelessness and
16 housing abandonment. It will improve public safety.
17 It will improve the employability of low-income
18 customers.

19 And the province spends money on all of
20 these activities, and through a bill affordability
21 program one (1) of the additional impacts will be that
22 the province will need to spend -- the province as a
23 province will need to spend less money on these
24 governmental activities. Those are above and beyond
25 the business impacts. Next slide, please.

1 So given all of this, I did not
2 recommend a specific bill affordability program. What
3 I recommended in my direct testimony is a collaborative
4 process. And it's a process akin to one (1) that I was
5 just involved with as a consultant. I work as a
6 consultant. I'm not independent parties in any of
7 these.

8 But I work as a consultant to the Office
9 of Consumer Advocate in Pennsylvania. The OCA is the
10 state agency that represents all residential low --
11 residential customers. Not simply low-income
12 customers. There are private advocacy -- low-income
13 advocacy groups. I represent the state agency that in
14 turn represents all residential customers.

15 What we did with PECO Energy, and what I
16 recommend for Manitoba Hydro, is a collaborative
17 process. The collaborative process starts out by
18 having the various stakeholders submit what I refer to
19 as hypotheses that -- that they would like to have
20 tested through the collaborative process.

21 The process would identify gaps in data,
22 and assign -- or task out the -- the job, or the
23 responsibility for generating that data to the various
24 stakeholders. After a period of time in which those
25 propositions are discussed, the various stakeholders to

1 the collaborative process would submit what I refer to
2 as a term sheet for how they would like to see a suite
3 of programs developed.

4 Those term sheets would identify
5 contested issues. And the process would take each one
6 of those contested issues one (1) by one (1), and under
7 the direction of an independent collaborative mediator
8 would discuss those contested issues to determine
9 whether it would be possible to address and agree upon
10 an appropriate response on those contested issues.

11 At the end of time certain, if there are
12 outstanding agreements there is a final report
13 presented to the Board identifying the areas of
14 agreement, identifying the areas of disagreement, and
15 then the stakeholders would present their data and
16 argument to the Board on the areas of disagreement for
17 the Board to -- to resolve.

18 One thing I would emphasize is that as
19 with litigation, I would encourage that the
20 collaborative process have parties that people need to
21 indicate on the front end that they want to
22 participate. That -- and that they be a participant
23 for the entire collaborative process.

24 It doesn't work if you have five (5)
25 parties working for a year to go through this

1 collaborative process, and then to have a sixth party
2 show up in month 13 without the benefit of the
3 discussions and the compromises that have made, the
4 accommodations that have been made. So there should be
5 stakeholders. There should be, I call, parties to the
6 collaborative process.

7 I recommend such a collaborative process
8 for Manitoba, and that would determine -- that
9 collaborative process would determine not only what
10 bill affordability program model is appropriate, but
11 what the suite of interventions that would be. So the
12 interaction between bill affordability, energy
13 efficiency, credit and collect -- traditional credit
14 and collection activities, crisis assistance. That
15 suite of activities would come out of the collaborative
16 process. Next slide, please.

17 So in the last little bit here, I would
18 like to talk about the different models that are
19 available for bill affordability. I'm not recommending
20 any one (1) of these models for Manitoba Hydro at this
21 point. I'm simply -- as I said before, there is no
22 single correct model. There are a range of reasonable
23 models. And I think that there are some models that
24 really aren't particularly reasonable.

25 And let me go through these one (1) by

1 one (1). The next slide, please. The first model is
2 what's called a straight percentage-of-income plan.
3 This is the situation where the utility says that your
4 home energy bill will be equal to a percentage-of-
5 income. If you have an income of ten thousand dollars
6 (\$10,000) and the affordability percent that we choose
7 is 6 percent, then your home energy bill will be ten
8 thousand dollars (\$10,000) times 6 percent, or six
9 hundred dollars (\$600).

10 Any portion of your bill that exceeds
11 the 6 percent is called the shortfall and is paid
12 through -- through some means paid by nonparticipants.
13 So the straight percentage-of-income plans says that
14 your bill is equal to a percentage-of-income. And it
15 is your bill that stays the same no matter what your
16 consumption does.

17 The strength of a percentage-of-income
18 program is that it is specifically targeted to
19 affordability. When we measure the business metrics
20 that I talked about, the percentage-of-income plan is
21 most likely to generate improvements in those metrics.
22 And one (1) of the reasons that occurs is because if a
23 bill is affordable without bill affordability
24 assistance, then the customer doesn't receive any
25 assistance, and it makes no difference whether the

1 customer is low income or not.

2 If the bill -- if the customer is low
3 income and has an affordable bill, they don't receive
4 any assistance. It's not a poverty reduction program.
5 It is a program that is designed to address the unable
6 to pay, the inability to pay, and the collection
7 consequences that flow from that inability to pay.

8 The challenge of a straight percentage-
9 of-income program is that it takes a certain amount of
10 administrative sophistication because you need to get
11 household incomes and you need to calculate a bill for
12 each household. Company after company has done that.
13 But nonetheless, it requires a certain level of
14 administrative sophistication and IT sophistication.

15 The next slide. Now, one (1) of the
16 more recent iterations of the percentage-of-income plan
17 -- and I'll tell you that, even though I don't
18 recommend a plan in my testimony, this is my favourite,
19 but it is the fixed-credit percentage-of-income plan.

20 The fixed credit percentage-of-income
21 plan works in the same way that the original PIP does,
22 the original percentage -- the straight percentage-of-
23 income plan does. There is a percentage that's deemed
24 to be affordable, let's say 6 percent.

25 If your income is ten thousand dollars

1 (\$10,000) and the percentage-of-income payment is 6
2 percent, 6 percent times ten thousand dollars (\$10,000)
3 means your affordable bill is six hundred dollars
4 (\$600). The difference is that under the fixed credit
5 plan the customer's estimated bill which is estimated
6 through the same process that a utility uses to
7 generate levelized budget billing agreements, so this
8 is not -- estimating an annual bill is not a new
9 process.

10 But given the estimated bill, annual
11 bill, the utility would then subtract the affordable
12 bill from that estimated bill and the shortfall is then
13 divided by -- into twelve (12) equal installments and
14 that monthly credit becomes fixed rather than the bill
15 becoming fixed. Are -- are people following me?

16 So you have a twelve hundred dollar
17 (\$1,200) bill -- bill at standard rates. You have a
18 six hundred dollar (\$600) affordable bill. That means
19 that the shortfall would be sixty dollars (\$60). Under
20 the fixed credit program, the customer would receive a
21 fifty dollar (\$50) monthly credit irrespective of what
22 their bill is.

23 And what that does -- the implication of
24 that is that, if the customer's bill goes up, the
25 customer pays the -- the increase. So they have an

1 incentive not to have their bill go up.

2 Conversely, if the customer bill --
3 customer's bill goes down, they get to keep -- they --
4 they get to pocket the difference. And so they have an
5 incentive to decrease their bill. So the -- under the
6 fixed-credit program, the -- the difference is that
7 under the PIP, the bill stays the same. Under the
8 fixed-credit program, it is the credit that stays the
9 same.

10 The third model that's available is
11 what's called -- thank you -- is called an income-based
12 tiered-rate discount. What the income-based tiered-
13 rate discount does is it calculates a discount. So
14 instead of doing it on a percentage of income basis, it
15 calculates a discount so that if the customer has an
16 average usage and an average income, the customer would
17 receive an affordable bill.

18 So you still know what the 6 percent of
19 income bill would be. You still know, yet you're under
20 my ten thousand dollar (\$10,000), 6 percent scenario.
21 You still know that the affordable bill that you're
22 looking for is six hundred dollars (\$600). What the
23 tier based -- the income-based tiered-rate discount
24 does is to say, In order to achieve that six hundred
25 dollar (\$600) bill, what we need to do is to provide a

1 50 percent discount, or a 40 percent discount.

2 And different tiers are created based on
3 different income levels. So somebody who is at 50
4 percent of LICO may receive a -- a higher discount.
5 Somebody who is at 75 percent of LICO would receive a -
6 - a lower discount. You have multiple tiers. But the
7 -- the income-based tiered-rate discount simply says
8 that the -- there is a tariff that says that customers
9 falling into this income level will receive a discount
10 of 'X' percent, because we know -- we've calculated
11 that the 'X' percent discount will result in an
12 affordable bill.

13 The problem, of course, is as I say --
14 the challenges are that what -- what that means is that
15 you're off 50 percent of the time, because if people
16 have lower incomes or higher consumption then your
17 bills -- then your discount will be either too much or
18 too high. The discount is only correct -- the discount
19 only yields an affordable bill if it -- if the customer
20 is at the average income and the average consumption.
21 But under the income-based tiered-rate discount, you
22 simply accept that -- that level of inefficiency as the
23 price of the administrative ease of administering a --
24 a discount.

25 The next slide, please. The -- the

1 fourth model is the model that Ontario has adopted.
2 And this simply -- it's the same difference as between
3 the fixed-credit percentage-of-income program and the
4 straight percentage-of-income program. Rather than
5 providing a percentage discount off the bill, this
6 model provides a fixed credit off the bill. So instead
7 of giving a 50 percent discount or an 80 percent
8 discount, it provides a fifty dollar (\$50) monthly
9 credit or a eighty dollar (\$80) monthly credit, but
10 it's otherwise calculated the same way.

11 Given the fifty dollar (\$50) monthly
12 credit or the -- whatever the level of monthly credit
13 is if -- if you're at the average income and at the
14 average consumption, then you will receive a -- an
15 affordable bill. And the implications are the same
16 from conservation. It provides a conserva -- direct
17 conservation incentive, because if you decrease your
18 consumption, then you get to pocket the savings. If
19 you increase your usage, then you pay the increase. So
20 -- but model number 4 is what the Minister of Energy in
21 Ontario did.

22 Model number 5 -- next slide -- is the
23 slide -- is a -- a uniform rate discount. And I talked
24 about I believe that there are some models that simply
25 are not particularly reasonable. A uniform rate

1 discount simply says, We're going to income qualify
2 low-income customers, and if you're poor, you're going
3 to receive a discount off of your electric bill of 30
4 percent, or 40 percent, or 50 percent.

5 The problem with that is that the
6 customer who has a thirty thousand dollar (\$30,000)
7 bill and a -- or a thirty thousand dollar (\$30,000)
8 income and a five hundred (\$500) bill might receive the
9 same 40 percent discount as the customer who has a ten
10 thousand dollar (\$10,000) income and a five thousand
11 dollar (\$5,000) bill. There is no targeting
12 whatsoever.

13 The uniform rate discount, this is what
14 California does, this is what Massachusetts does,
15 simply says, If you're poor, we're going to provide you
16 an across-the-board discount, and there's no targeting,
17 and there's no effort to tie the discount to an
18 improvement in crediting -- in collections. And
19 there's no reason to believe that the across-the-board
20 discount would generate any improvement in credit and
21 collections.

22 Next slide. And finally, there's simply
23 the multi-tiered inclining block rate structure, and
24 this is familiar to all of us, so I'm not going to
25 dwell on it. Any number of utilities have adopted

1 inclining block rate structures where you set a -- an
2 initial block that is reflective of some basic energy
3 use. As peoples' energy consumption goes up, their
4 price of electricity increases to reflect the increased
5 cost of providing that electricity.

6 The advantage of that is that it
7 provides the -- the lower price to everybody. There's
8 no income qualification. The disadvantages, that you
9 provide the lower price to everybody, whether they need
10 it or not. And that other disadvantages that the Inc -
11 - the inclining block rate structure doesn't address
12 affordability in any way.

13 Next slide, please. Let me provide just
14 a couple of final miscellaneous observations,
15 observations that don't really fit anywhere else. One
16 (1) thing that I recommend for an affordability program
17 is an arrearage management component to it. It makes
18 no difference if the -- if the purpose is to generate
19 improvements and collection outcomes, it doesn't do us
20 any good to make the bill for current service
21 affordable if the customer has a significant past due
22 arrearage that will make the total has-to-pay amount
23 unaffordable.

24 So if we're going to address the current
25 bill -- the bill for current service on a going-forward

1 basis, We need to address the -- the existing -- the
2 pre-existing arrearages as well. That's a necessary
3 component. It is not a sufficient component standing
4 alone, because if we only address the pre-existing
5 arrearages, we're not addressing the reasons that the
6 customer achieved those arrearages with which to begin.

7 So you really need both. You really
8 need a suite of interventions. And that's going to be
9 a common theme here. There is a role for energy usage
10 -- energy usage reduction, energy conservation in the
11 suite of interventions. Energy conservation is not
12 only a long-term solution, but it -- it is -- it
13 reduces the cost of an affordability program -- of the
14 affordability component to the program.

15 The problem is that like arrearage
16 management, energy conservation can't be a standalone
17 response, A) because there are too many people. We'll
18 never address -- we'll never have the budget to address
19 everybody through energy conservation. And B) because
20 in many instances, it is not possible for energy
21 conservation to bring -- to reduce the bill -- to bring
22 the bill down to the point where the bill is
23 affordable.

24 So it is a necessary component, but it
25 cannot be a standalone component. There is a role for

1 traditional collectio -- credit and collection
2 activities. We cannot adopt an affordability program
3 and tell people that we're not only giving you a break,
4 but you're never going to be subject to the
5 disconnection of service or other credit and collection
6 activities.

7 The -- the deal, basically, is this, we
8 are going to make -- we realize that you can't -- you
9 haven't paid your bills because you haven't been able
10 to afford your bills. We're going to make you a deal,
11 we're going to make your bill affordable. But once we
12 make your bill affordable, you have to pay it. And if
13 you don't pay your affordable bill, then you're going
14 to go into the -- the collection process, because we've
15 complied with our part of the deal. We've done what we
16 can do to -- to help you pay your bill, and now it's
17 your responsibility.

18 But -- the -- as we've seen, having the
19 traditional credit and collection activities directed
20 toward people who can't afford to pay are ineffective
21 and overly expensive. So having traditional collect --
22 collection techniques is part of the suite of
23 interventions, but it can't be the only part of the
24 interventions.

25 So I'm going to end here. I -- I'm not

1 going to go to the next slide. Given all of this, I
2 would simply summarize as follows.

3 My testimony asks that the Board find
4 that a bill affordability program can serve business
5 purposes of a utility. It -- there are five (5)
6 metrics that we want on collections, and we want
7 complete payment, timely payment, regular payment,
8 continuing payment, and payment without need of
9 intervention. And a bill affordability program will
10 improve the -- the performance on each one of those
11 business metrics.

12 We don't need, and the Board doesn't
13 need to decide which unaffordability model is
14 appropriate at -- at this time. What my testimony
15 recommends is that the Board approve -- more than
16 approve -- that the Board direct that a collaborative
17 process with interested stakeholders be initiated, and
18 that that collaborative process be charged with
19 developing within a time certain these recommendation
20 for a suite of interventions that would include bill
21 affordability, assistance, arrearage management, energy
22 usage reduction, and traditional credit and collection
23 activities to address the business problems that
24 Manitoba Hydro currently has with their unable-to-pay
25 customers. Thank you very much.

1 (BRIEF PAUSE)

2

3 THE CHAIRPERSON: Maybe I can start the
4 questioning, just to clarify in my own mind. Could you
5 go back to slide -- Diana, go back to slide -- maybe --
6 I can't point to a specific number. We're talking net
7 income, aren't we?

8 We're talking -- when we to -- refer to
9 -- when you refer to income, you're talking net income?

10 MR. ROGER COLTON: Yes.

11 THE CHAIRPERSON: Okay.

12 MR. ROGER COLTON: Yes, net back.

13 THE CHAIRPERSON: Okay. And -- and I
14 guess I'm looking at the slide. It was the impact
15 number 2, collections efficiency, and I was trying to
16 figure out what the vertical axis on that is, and I
17 wonder if you could enlighten me. This deals with
18 collections efficiency...

19 MR. ROGER COLTON: Without look -- oh.
20 What -- the one point six (1.6) -- the zero to the one
21 point six (1.6)?

22 THE CHAIRPERSON: Yes.

23 MR. ROGER COLTON: Are the number of
24 disconnect notices.

25 THE CHAIRPERSON: So --

1 MR. ROGER COLTON: Oh, the -- actually,
2 it's more -- the -- it's the number of disconnect
3 notices per one thousand (1,000) customer payments.

4 THE CHAIRPERSON: So, for example,
5 looking at the very first one, say looking at the blue
6 line, so zero point two (0.2) would represent...

7 MR. ROGER COLTON: Point two (.2)
8 disconnect notices -- for every one thousand (1,000)
9 customer payments Public Service Company of Colorado
10 received, they had to issue point two (.2) disconnect
11 notices.

12 THE CHAIRPERSON: And I guess I -- I'm
13 looking now on the slide that's entitled 'Broad
14 Structure' -- I guess slide 12, Diana, please.

15 Now, the outcome of the broad
16 collaborative process, in -- in the jurisdictions that
17 you have described where this is -- has been used, the
18 regulator can impose a outcome of this process. In
19 other words, if we do the -- we do the collaboration
20 process, the result -- the outcome of that process can
21 be imposed by the regulator.

22 MR. ROGER COLTON: Yes.

23 THE CHAIRPERSON: Okay. So -- so the
24 regulator has the power in those jurisdictions to say,
25 This is the rule going forward in respect to low-income

1 participants?

2 MR. ROGER COLTON: Yes.

3 THE CHAIRPERSON: Okay. Now, this
4 collaborative process has worked in other
5 jurisdictions, has it?

6 MR. ROGER COLTON: Well, I -- I worked
7 with it in the PECO Energy jurisdiction. It is -- it
8 really is what led to the -- the results in Ontario, as
9 well. They called it a -- a consultation. But over
10 the course of a number of years, the Ontario Energy
11 Board brought together the stakeholders in a
12 consultation and eventually ended up where the Minister
13 of Energy directed the program -- directed the adoption
14 of the program that he recommended.

15 THE CHAIRPERSON: I see. Now, I -- I
16 guess the fun -- the more fundamental question is, the
17 -- the difference between the revenues generated from
18 bills now versus under this new environment, the
19 difference in revenue, who absorbs that?

20 Is that absorbed by the rest of the
21 ratepayers, or is it absorbed...?

22 MR. ROGER COLTON: Yeah, there is -- it
23 -- it would be absorbed by the rest of the ratepayers.
24 But one (1) thing that I would caution in structuring
25 that question is that revenues and billings aren't the

1 same. If inability-to-pay customers could pay a
2 hundred percent of what they're billed, I wouldn't -- I
3 wouldn't be here today.

4 If -- the shortfall is between what is
5 collected -- is not what's billed, but is between what
6 is collected without the affordability program and what
7 is collected with the affordability program.

8 So if you are collecting -- if you are
9 only collecting 65 or 70 percent of what you're
10 currently billing, a -- a bill affordability program
11 can come close to or -- or beat that 65 or 70 percent.
12 And the shortfall -- you really wouldn't have a
13 significant shortfall.

14 So I -- my only caution is to not equate
15 a hundred percent of the billings with revenues.

16 THE CHAIRPERSON: I guess the key piece
17 of information here would be det -- determining the net
18 income of the participants. And how is that done?

19 I mean, how would a private company
20 establish net income of a -- of his clients?

21 MR. ROGER COLTON: Well, what -- what
22 we did with the Public Service Company of Colorado, and
23 what I did with a -- a couple of Indiana utilities,
24 NIPSCO, Northern Indiana Public Service Company; CGCU,
25 Citizens Gas & Coke Utility, serving Indianapolis, is -

1 - there was a -- a pilot project, and you simply -- and
2 you had low-income participants and low-income
3 nonparticipants. And you could compare the difference
4 in revenue collections between the actual revenue
5 collections, not billings, but actual revenue
6 collections between the nonparticipant population and
7 the participant population.

8 In both of those instance -- or all four
9 (4) of those instances where we did that, there's an
10 additional step to be taken, because in addition to
11 looking at the -- the impact on revenues, you could
12 look at -- or we did look at the impact on collection
13 expenses, as well. And we simply measured the number
14 of collection activities directed toward the
15 participants and the number of collection activities
16 directed toward the -- the nonparticipants.

17 So the net revenue is the gross revenue
18 that you actually collect minus the cost of collection,
19 and that's a fairly straightforward calculation.

20 THE CHAIRPERSON: No, I -- I -- maybe I
21 didn't ask my question adequately. What I'm trying to
22 get at is that to determine the net income of the
23 participants, so in other words, to establish -- you
24 know, Rick is a -- a high-income earner. I'm a low-
25 income earner.

1 MR. ROGER COLTON: Oh, oh.

2 THE CHAIRPERSON: How is that
3 established? How does -- you distinguish between Rick
4 or -- or myself?

5 MR. ROGER COLTON: I'm sorry, I -- I
6 misunderstood. You -- you have to -- you -- you have
7 to work with other stakeholders. In -- in some states
8 that have adopted programs, the utility contracts with
9 what are called community action agencies that are
10 service providers to low-income folks. In the State of
11 New Jersey, the utilities and the State of New Jersey,
12 which has a -- a state fuel assistance program, have a
13 -- a -- basically an inner-agency agreement between the
14 Public Utilities Board -- the Board of Public
15 Utilities, the BPU, and the -- the state energy
16 assistance agency to determine the income.

17 So what you don't want is you don't want
18 to put the utility in the position of doing income --
19 income and -- income verification and intake. That's
20 not their business. That's not their expertise. You
21 need to contract with an inner-agency agreement to --
22 to do that.

23 THE CHAIRPERSON: That net income data
24 is dynamic? In other words, it -- it keeps evolving,
25 and utility -- it would evolve on the income scale.

1 How is that captured?

2 MR. ROGER COLTON: People need to --
3 well, there are a couple of things that happen. The
4 general rule is that people need to re-enroll in the
5 program on an annual basis, and when they re-enroll in
6 the program, then they have a new income verification.

7 What we've learned over the years is
8 that there are some folks that have income that simply
9 doesn't vary significantly enough from year to year to
10 make it worth the administrative cost to have them re-
11 enroll on an annual basis. So we place those customer
12 -- people on disability assistance, for example. We
13 know that those incomes are not going to go up or down
14 over the course of the year. So we have those folks
15 re-enroll on a biannual or a triannual basis.

16 On the other hand, there -- this may be
17 more information than you want -- there are some folks
18 who come in and claim that they have a -- a zero-dollar
19 income. And the belief is that a -- a zero-dollar
20 income is not sustainable on a long-term basis, and
21 those folks are told that they need to reverify their
22 income on -- after four (4) months, because somebody is
23 not going to live for any period of time with a zero-
24 dollar income.

25 MS. MARILYN KAPITANY: Mr. Colton, I

1 think you'd touched on this in your remarks to the
2 Chair prior, but there's going to be costs involved
3 with running a collection program, and then costs
4 involved with running a program such as this -- an
5 affordability program, I mean?

6 MR. ROGER COLTON: Sure.

7 MS. MARILYN KAPITANY: So do you have
8 information, for example on your -- your favourite
9 program, number 2 on slide 15, have you worked with any
10 of these jurisdictions where they started out just
11 using the bill collection model, and then moved to an
12 affordability model? And have you got some remarks you
13 could make about what the difference between those
14 costs were?

15 And then I understand also there's going
16 to be the additional revenue collected by the utility,
17 but where have the utilities come out in terms of net
18 better off, or net worse off, in terms of when
19 everything is netted out in -- in terms of the costs
20 and the additional revenue collected?

21 MR. ROGER COLTON: Virtually every
22 utility starts out with the collection-only model, and
23 that's business as usual. That's what Mani -- Manitoba
24 Hydro is currently doing.

25 And the -- the utilities that have

1 measured costs have found -- have found that they
2 accomplish more for the costs that -- that they are
3 spending. And there are four (4) -- four (4)
4 utilities: Public Service Company of Colorado; NIPSCO,
5 Northern Indiana Public Service Company; Columbia Gas
6 in Indiana; and Citizens Gas & Coke Utility.

7 And it's not really -- and -- and I
8 don't want to say that costs are going to go down,
9 because I can't -- well, I could, but I'd be wrong,
10 that costs are necessarily going to -- to go down.
11 What I can say is that with each of the four (4)
12 utilities that have measured those, they are either
13 accomplishing more for what they are spending, or they
14 are spending less to achieve the same level of
15 performance.

16 So you -- you can spend less and
17 accomplish less, and that's not the -- the goal.
18 That's why the cost-effectiveness is -- is the
19 objective.

20 MS. MARILYN KAPITANY: So then in every
21 case that you've observed, the utility, when they move
22 from a collection-only model to an affordability model
23 is net better off? And then that helps to address some
24 of the shortfall issues you spoke to?

25 MR. ROGER COLTON: That's -- that's

1 correct. Every -- and let me make it clear, not
2 everybody has measured it. So the utilities that have
3 measured it -- and there have been utilities that have
4 measured it and decided that the program didn't
5 accomplish it's -- it's fiscal objectives. Baltimore
6 Gas and Electric had an across-the-board discount and
7 they measured the cost effectiveness afterwards and
8 said we're -- we're spending more than -- than we care
9 to spend given the outcomes.

10 And if you think about that, that
11 intuitively makes sense. When you have an across-the-
12 board discount that means that some people who don't
13 need assistance, you're going to give assistance
14 anyway. And in that case you're not going to get any
15 improvement in -- in performance. And there are other
16 people who need a lot of assistance that you're not
17 providing enough assistance to and there again, you're
18 spending money with -- with no hope of generating an
19 improvement in the outcome.

20 So it's one (1) reason that I believe
21 that -- that an across-the-board discount simply is --
22 it's not going to accomplish either substantively from
23 a collection perspective, or financially, the
24 objectives that we would want it to accomplish.

25

1 (BRIEF PAUSE)

2

3 DR. HUGH GRANT: I was looking at slide
4 5 and it's certainly interesting. This would sort of
5 imply that the -- there's a difference between
6 inability to pay and unwillingness to pay. There's a -
7 - it would seem that the extent of unwillingness to pay
8 is not trivial. And I would count myself in that
9 category given that I just had a cutoff notice a couple
10 weeks ago from Hydro because I forgot to pay my bill.

11 Any -- in any event, this would be an
12 interesting chart, but particularly if it could be
13 conditioned on the overall level of income. I guess
14 what I wanted to ask, you ment -- you cited some figure
15 at the beginning, but you referred to Hydro's
16 deteriorating payment outcomes. I'm just wondering if
17 you can give us any sense of where Hydro sits in sort
18 of the North American picture in terms of its afford --
19 affordability problem, or its arrears problems.

20 Is it -- is it high, or is it low? Do
21 you have any sense of that?

22 MR. ROGER COLTON: I didn't look at --
23 I didn't look at that. I -- I probably could, but I
24 haven't.

25 DR. HUGH GRANT: Okay. Because I just

1 think -- I would like to know the scope of the problem
2 before trying to talk about tackling, you know, aspects
3 of how to address it. And in this one (1) respect, I -
4 - I want to quibble, I think, a bit with your approach
5 here. You talked about a cost-effectiveness approach
6 leading to a wise business decision.

7 Generally cost effectiveness is done
8 when you cannot quantify the benefits, you can't
9 monetize them. In this case it seems that you can
10 monetize them. So it could be you may select the most
11 cost-effective approach, but it's not going to pass a
12 benefit-cost analysis. So in other words, it may be
13 quite sensible for Manitoba Hydro just to let all these
14 things stay in arrears and have no affordability
15 program if it -- if it costs so much to collect.

16 So I'm just a bit uncertain why you do a
17 cost-effectiveness approach if you can actually
18 monetize the results. Now, I want to distinguish here
19 between -- you keep insisting wise business policy.
20 There's a difference between a business decision and
21 what's good social policy. And I suspect in Manitoba
22 Hydro's case it's a -- they could clearly do a cost-
23 benefit study.

24 MR. ROGER COLTON: My experience has
25 been that your -- your proposition that the benefits

1 can be dollarized and quantified is -- is not correct.
2 The -- one (1) example of that is it is pretty clear at
3 this point that utilities that offer an affordability
4 program will reduce the number of disconnections and
5 will reduce the number of collection activities that
6 are directed toward those affordability participants.

7 That doesn't mean, however, that they
8 will reduce their overall number of collection
9 activities or -- or their overall number of
10 disconnections. The odds are that rather than reducing
11 those disconnections, they will redirect those
12 collection activities toward other customers in
13 arrears. Manitoba Hydro certainly has more people in
14 arrears than they direct collection activities toward.

15 However, if you direct -- or when you
16 direct those collection activities toward people who
17 are currently not being treated through collection
18 activities you are going to generate a reduction in --
19 in arrears and a reduction in working capital. You
20 would need to incorporate all of -- all of those
21 dollars and when -- and I've tried to do it. And when
22 you get into that you -- you get to the point where
23 you've made about your twenty-first assumption and you
24 realize that it's -- that you're not dollarizing and
25 quantifying it.

1 DR. HUGH GRANT: Okay.

2 MR. ROGER COLTON: So I disagree that
3 you can dollarize and quantify all of the benefits.

4 DR. HUGH GRANT: Okay. I'll -- I'll
5 disagree with you on that. But I suspect what may be
6 more at issue is that the utility is being handed an
7 effective aspect of social policy where we're not happy
8 with a utility that doesn't have an affordability
9 program. So if -- if there's some -- in a imposed
10 constraint on the utility, then I can understand why
11 you have to find the most cost-effective means of
12 trying to reduce those arrears, but we can differ on
13 that.

14 Just a quick thing. I -- I want to
15 quibble, too. I think in your -- I don't like your
16 Lamborghini example, but we can talk about that later.
17 I -- I think, too, you have to be careful between bill
18 signals and price signals. And I think they're really
19 quite different. And when you get into these different
20 affordability programs, you sort of address some of
21 that. But it's a big difference between saying, Hey, I
22 can't pay my bill so price signals don't matter. Price
23 signals still may matter quite dearly despite --
24 despite that.

25 And -- and my last one (1) is just I

1 can't let it pass, slide 11. Public safety. I hate to
2 use the word 'elasticity', but for an extra dollar
3 spent on an affordability program, what kind of public
4 safety impacts would you expect? Pretty small ones?
5 I'm just trying to run through a scenario where,
6 because you don't have an affordability program, crime
7 runs rampant across the province.

8 MR. ROGER COLTON: Sure. The -- the
9 big thing with public safety is that there is a
10 demonstrated connection between unaffordable bills and
11 fires and indeed between unaffordable bills and not
12 only the presence of fires, but the -- the presence of
13 injury and death attributable to home fires.

14 And I actually published a paper about
15 ten (10) years ago. Everything seems to be about ten
16 (10) years ago. But I actually published a paper about
17 ten (10) years ago where I compiled the information
18 from NFPA, the National Fire Protection Association,
19 out of Quincy, Massachusetts, that talked about not
20 only the connection between unaffordable bills and
21 fire, fire injury, fire deaths, and poverty.
22 Overlaying poverty on top of that is a more -- even a
23 more general consideration with poverty being
24 associated with the lack of telephone service, the lack
25 of child care, the lack of quality housing which is

1 associated with increased fires, fire injury, and fire
2 death.

3 DR. HUGH GRANT: That's quite
4 interesting. Is it -- is it also people undertake more
5 risky behaviour in terms of their energy consumption or
6 --

7 MR. ROGER COLTON: Well, people --

8 DR. HUGH GRANT: -- or not having as --

9 MR. ROGER COLTON: -- people who lose
10 their service and use candles, people who use their --
11 lose their electricity service and use candles. It --
12 it wouldn't be a -- applicable to Hydro as an electric
13 company, but people who lose their gas service and use
14 portable electric heaters. So there -- yes, the -- the
15 difference between -- or the association between
16 unaffordable bills and risky behaviour.

17 DR. HUGH GRANT: Thanks.

18 THE CHAIRPERSON: In establishing a
19 threshold around which a bill becomes affordable, you
20 know, 2 percent, 3 percent, or 4 percent, how do -- how
21 have jurisdictions established that threshold? You
22 indicated Jersey is 3 percent. You mentioned another
23 one (1) that's 6 percent.

24 How was that -- that level established?

25 MR. ROGER COLTON: The -- the generally

1 accepted measure of affordability is for heating and
2 non-heating to be 6 percent. And there's actually a
3 rationale behind that. You start with the -- the
4 generally accepted proposition, and I would have to ask
5 you to accept this for the -- for the moment, that
6 shelter costs that exceed 30 percent of income are
7 considered to be unaffordable.

8 And then you overlay on top of that the
9 proposition that 20 percent of shelter costs should be
10 devoted to -- to home energy, and you simply multiply
11 those out, 20 -- 20 percent times 30 percent.

12 Having said that, I would emphasize that
13 affordability is a range. As this New Jersey table
14 will show, affordability is a range, not a point. And
15 so one can start with 6 percent, and then say, you
16 know, we're spending more money than we care to spend
17 at 6 percent, we're going to go to 8 percent or we're
18 going to go to 10 percent, and that's a pol -- a policy
19 decision.

20 But it's pretty clear that when bills
21 exceed -- from an empirical perspective, that when
22 bills begin to exceed 10 to 12 percent of income you're
23 going to start getting into nonpayment problems.

24 THE CHAIRPERSON: Thi -- my que -- next
25 question is related to a question that Board member

1 Grant asked. And specifically, in terms of the
2 percentage of clientele that is participating in these
3 programs, can you give us examples, you know, what's it
4 like in Jersey, what's it like in California in terms
5 of the percentage or participants relative to the
6 nonparticipants?

7 MR. ROGER COLTON: I would say as a
8 general rule, if one generates the participation of 40
9 percent to 50 percent, that's -- that's a good
10 participation rate. There are a number of reasons that
11 people do not participate. One (1) reason being that
12 their affordable bill could exceed their actual home
13 energy bill.

14 And if -- if that happens, people
15 obviously don't participate in the program. They don't
16 need assistance. They don't get assistance. Some
17 people don't participate because they don't want to --
18 they simply, as a matter of household policy, choose
19 not to participate in programs such as that.

20 Sometimes there are information failures
21 where people don't understand that the program is
22 available or people believe that, Well, I own a home,
23 so I must not qualify, where even if that is not a
24 disqualifier. But as a general rule, a participation
25 rate of 40 percent to 50 percent is a good

1 participation rate.

2 THE CHAIRPERSON: What I was -- what I
3 was looking for, for example, we know -- we've heard
4 earlier in this hearing that there are a hundred and
5 fifteen thousand (115,000) LICO homes in Manitoba. And
6 I'm not sure what that percentage is, but it's high.
7 And so looking at the US or Canadian jurisdictions in
8 which you have worked, say it's 20 percent in Manitoba.
9 I'm guessing what the number is.

10 But are we talking 20 percent in Jersey
11 and 20 percent in California or are you talking...?

12 MR. ROGER COLTON: California -- let's
13 set aside California. California is close to a hundred
14 percent, but California gives a straight discount, so
15 they don't care what your actual income is. All they
16 care -- you know, they just need to toggle it. You're
17 either low-income or not, and whether you're in -- what
18 your income is doesn't make any difference. And
19 they've re -- they've achieved a very high rate.

20 New Jersey is 30 to 40 percent. The --
21 the Pennsylvania utilities that I work range -- well,
22 they're in the -- the 40 to 50 percent. There are some
23 -- some utilities, PGW -- well, even PGW, Philadelphia
24 Gas Works, is in the 50 to 60 percent range. So I
25 think I would have said a LICO population I guess we're

1 in the same range of a hundred and five (105). Well,
2 let's just say a hundred and change. I would expect a
3 participation rate in Manitoba to be somewhat less than
4 40 percent.

5 And the reason I would expect a lower
6 participation rate here is because LICO is -- when you
7 take the percentage of income that I think that --
8 assuming a percentage of income program, but let's just
9 assume that for the time being, when you take the
10 percentage of income, whether it's 6 percent or 8
11 percent and multiply it times the actual dollars of
12 income as you approach 100 percent of LICO, it exceed -
13 - the result exceeds most existing home energy bills.

14 And so I think that 100 percent of LICO
15 is an artificial ceiling on participation. I think
16 when you get toward the top you're going to find that
17 the actual home energy bills are less than the
18 affordable home energy bills and you'll real -- you'll
19 see a -- a high non-participation rate.

20 DR. HUGH GRANT: I was just curi -- so
21 I think my question was about the percentage of
22 customers that are in arrears, which I think -- my
23 intuition -- it'd would be low in Manitoba relative to
24 a lot of American states given generally lower
25 electricity prices, better income distribution, but --

1 and so then -- then the next question is of those in
2 arrears, how many of those are participating?

3 Which -- I guess I'm just wondering if
4 there's any kind of comparative measures for North
5 American utilities, but you think not? I'm interested
6 in both, arrears as a percentage of customers and
7 participation rate as a percentage of arrears.

8 MR. ROGER COLTON: That -- that
9 information would be available. I just haven't --
10 haven't done it.

11 DR. HUGH GRANT: And just --

12 MR. ROGER COLTON: One (1) thing -- one
13 thing that -- may I offer something? One (1) thing
14 that a collaborative might consider in response to that
15 concern is to do what Pennsylvania did early on, which
16 is to say that programs will be directed toward a
17 payment troubled -- what they call payment-troubled
18 customers.

19 And payment troubled is a -- is a term
20 of -- of art. So if you say -- if -- if a
21 collaborative were to decide that if you're paying your
22 bill that you don't need assistance, then you can
23 simply overlay a requirement of payment trouble. Or
24 one (1) can do what Columbia Gas of Pennsylvania did,
25 which is to say, We won't overlay a payment-troubled

1 status eligibility for a certain policy reasons, but
2 the first choice of a low-income participant would be
3 that you pay what you paid in the past.

4 So even if a percentage of income might
5 result in a bill of six hundred dollars (\$600), if you
6 have historically paid seven hundred and twenty dollars
7 (\$720), then your payment obligation will be seven
8 hundred and twenty dollars (\$720). So you tie it
9 toward the -- the previous payment. And it's -- it's
10 specifically to address the sorts of concerns that
11 you're raising.

12 THE CHAIRPERSON: Probably an
13 appropriate time to take a break. Let's take ten (10)
14 minutes or so and back at ten (10) to 11:00.

15

16 --- Upon recessing at 10:37 a.m.

17 --- Upon resuming at 10:51 a.m.

18

19 THE CHAIRPERSON: I believe that we can
20 resume the proceedings.

21 MR. WILLIAM GANGE: Mr. Chair, if I
22 could just make one (1) -- one (1) comment before we
23 start. You'll note that -- that Mr. Colton didn't go
24 through the last two (2) pages of -- of the
25 presentation. That was simply because he was keeping

1 track of time. And he had been allotted an hour and he
2 wanted to make sure that he kept within that.

3 But certainly pages 21 and 22 are part
4 of his evidence. And -- and I -- I just didn't want
5 there to be any misunderstanding on that. Ms.
6 Fernandes raised that with me and so I -- I thought I'd
7 make that clear.

8 THE CHAIRPERSON: Why don't we go over
9 -- I think we should go over them, just -- just --

10 MR. WILLIAM GANGE: For -- for Mr.
11 Colton to go through them?

12 THE CHAIRPERSON: Yes.

13 MR. WILLIAM GANGE: Yes, that's --
14 that's fair. So page 21, Diana. Thank you.

15

16 (BRIEF PAUSE)

17

18 CONTINUED PRESENTATION:

19 MR. ROGER COLTON: Pages 21 and 22 are
20 taken directly out of -- out of my direct testimony.
21 And they are a combination of recommended findings and
22 recommended steps forward. The first one (1) is simply
23 that the PUB find that there is a substantial and
24 deteriorating payment problem. And the most
25 intractable of which is related problems, the most

1 intractable of which are related to inability to pay
2 customers.

3 The second finding is for all the
4 reasons that I stated in one (1) of the early pages
5 here about Manitoba's current response to inability to
6 pay is that the Company's current credit and collection
7 planning activities do not reasonably and prudently
8 address the inability to pay problems refec --
9 reflected in the payment patterns facing the utility.
10 And that finding would be based on what I talked about
11 on slide number 3.

12 The third finding is simply that the --
13 not simply. The third finding is that the PUB find
14 that emergency assistance standing alone, and perhaps I
15 should add the words 'as a standalone response', does
16 not meet the -- meet the needs of low-income inability
17 to pay customers. Stand alone assistance is a response
18 that's necessary, but it is not sufficient unto itself.

19 The fourth finding is that the
20 implementation of a well designed and appropriately
21 implemented program -- so as I said there are -- there
22 are a range of appropriate programs. There's no one
23 (1) correct program. There are reasonable programs and
24 unreasonable programs. But a well designed and
25 appropriately implemented targeted Bill Affordability

1 Program can have positive impacts on the payment
2 patterns and practices and that is based on my
3 discussion of the -- the five (5) metrics that I talk
4 about: timely payment, complete payment, regular
5 payment, ongoing payment.

6 The fifth finding is that sufficient
7 experience exists within the United States and Canada -
8 - and I don't want to extend my knowledge beyond those
9 two (2) countries -- upon which to base a decision that
10 a collaborative process to develop a made in Manitoba
11 Affordability Program and a made in Manitoba suite of
12 interventions is an appropriate step forward.

13 So not a specific recommendation for a
14 specific program, but the creation of an ongoing
15 collaborative to -- to discuss what the suite of
16 interventions and what the bill affordability program
17 might be is a reasonable step forward for the Board.
18 The first finding on page 22 is -- discusses the suite
19 of interventions that an inherent design element of a -
20 - of any bill affordability program involves the
21 interaction between bill assistance with existing
22 credit and collection activities, energy efficiency
23 measures that you need -- that one needs all of those
24 aspects in a suite of interventions.

25 That what's being recommended here is

1 not bill affordability as a stand alone response, but
2 bill affordability as one (1) component of a suite of
3 appropriate responses. And then I recommend what I
4 believe that the -- the Board should direct. That the
5 Board should direct that this discussion be moved into
6 a collaborative process, that the process should have -
7 - should be based on a time certain. I recommend one
8 (1) year.

9 That -- but when you have a
10 collaborative process such as this you need to put a
11 deadline on it because otherwise people just talk
12 forever, as you can tell from my testimony. I could
13 talk forever. But you need to put a deadline. So
14 whatever is decided within that time -- that time
15 certain will be presented. Whatever is in disagreement
16 at the end of that time certain gets brought back to
17 the Board as the ultimate decision maker, which is what
18 the next bullet is, that upon completion of the
19 collaborative process, a final collaborative report be
20 prepared, and that that report layout the areas of
21 agreement between the stakeholders and the areas of
22 disagreement.

23 And that the -- the final bullet is that
24 upon submission of that report to the Board, the Board
25 will sit in its traditional capacity as final decision

1 maker, and people will make their arguments to the
2 Board. The people will present their evidence to the
3 Board, and the Board will be the resolver of the
4 disagreements.

5 So that's what I would recommend on a
6 going-forward basis.

7 THE CHAIRPERSON: I have a follow-up
8 question in relation to inclined block rates --
9 inclining block rates. And inclining block rates in
10 those jurisdictions where they exist, they would still
11 have a payment problem if you don't have an income-
12 based program in place, right? So --

13 MR. ROGER COLTON: I -- I agree with
14 that. One of the challenges of an inclining block rate
15 structure is that it's not tied to affordability. So
16 you can have an inclining block rate structure and
17 still have an affordability problem. The -- that is
18 offset by the acknowledgment that if -- when you have
19 an inclining block rate structure, everybody takes the
20 -- the rates in the -- the initial block.

21 But I absolutely agree with the accuracy
22 of the observation you just made.

23 THE CHAIRPERSON: Thank you. Mr.
24 Williams, please...?

25 MR. BYRON WILLIAMS: Yes, and good

1 morning again, members of the panel. And good morning,
2 Mr. Colter, Dr. Miller, and of course Mr. Gange. Just
3 -- Mr. Chair, the -- to assist the discussion this
4 morning the Coalition has two (2) exhibits.

5 One is a blue-covered document from the
6 pen -- Pennsylvania Public Utility Commission that Mr.
7 Simonsen advises me should be marked as Coalition-23.

8

9 --- EXHIBIT NO. COALITION-23:

10 Document from the
11 Pennsylvania Public Utility
12 Commission

13

14 MR. BYRON WILLIAMS: And the other is a
15 document from APPRISE, in cap letters, A-P-P-R-I-S-E,
16 relating to the PECO Energy Universal Service Program,
17 which could be marked as Coalition-24.

18

19

20 --- EXHIBIT NO. COALITION-24:

21 A document from APPRISE
22 relating to the PECO Energy
23 Universal Service Program

24

25 MR. BYRON WILLIAMS: And subject to

1 confirmation from My Learned Friend, I'm advised that
2 Mr. Colton is familiar with both documents, and indeed
3 may be a coauthor of one of them. He -- he's familiar
4 with both documents.

5

6 CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

7 MR. BYRON WILLIAMS: Mr. Colton, just
8 in terms of your retainer, you were not retained to
9 examine the reasonableness and prudence of Hydro's
10 energy efficiency programming, including low-income
11 energy efficiency, agreed?

12 MR. ROGER COLTON: Yes. Yes, I agree.

13 MR. BYRON WILLIAMS: Okay. And your
14 evidence does not examine the reasonableness and
15 prudence of the current level of Manitoba Hydro's
16 Affordable Energy Program expenditures.

17 Would that be fair?

18 MR. ROGER COLTON: I agree with that.

19 MR. BYRON WILLIAMS: Okay. And you
20 offer no opinion on the reasonableness and prudence of
21 the current level of Hydro's Affordable Energy Program,
22 and on whether it should be lower or higher?

23 MR. ROGER COLTON: That's correct.

24 MR. BYRON WILLIAMS: And your evidence
25 does not examine the utility of any potential budget

1 level or budget tradeoffs between a suite of
2 interventions, such as bill assistance, low-income
3 energy affordability, and arrears management.

4 Would that be fair?

5 MR. ROGER COLTON: I don't offer any
6 opinion on any particular suite of interventions,
7 that's correct.

8 MR. BYRON WILLIAMS: Sir, for the
9 purposes of the next three (3) questions I'm going to
10 use the word 'community engagement process' to -- to
11 define it as a process where one seeks community input
12 outside of the formal regulatory process using a
13 variety of tools, including but not limited to
14 community information meetings and discussions with
15 potentially affected individuals and groups.

16 Do you understand outside the formal
17 process, an engagement process?

18 MR. ROGER COLTON: Okay.

19 MR. BYRON WILLIAMS: Okay. And would
20 it be fair to say that on the record of this hearing
21 you have seen no evidence that Manitoba Hydro has
22 engaged in a community engagement process designed to
23 address the merits of a bill assistance program such as
24 the one you discuss?

25 MR. ROGER COLTON: I agree.

1 MR. BYRON WILLIAMS: And similarly,
2 you've seen no evidence that the Manitoba Public
3 Utility Board has taken part in a community engagement
4 process designed to address the merits of a bill
5 assistance program such as you propose?

6 MR. ROGER COLTON: I agree.

7 MR. BYRON WILLIAMS: And similarly,
8 you've seen no evidence that the Province of Manitoba
9 has engaged in a community engagement process designed
10 to address the merits of a bill assistance program
11 similar to what you're discussing?

12 MR. ROGER COLTON: I agree.

13 MR. BYRON WILLIAMS: If we could go to
14 tab twel -- or page -- slide 12 of Mr. Colton's
15 evidence.

16

17 (BRIEF PAUSE)

18

19 MR. BYRON WILLIAMS: And, Mr. Colton,
20 without asking you to elaborate, at -- at a high level
21 here you're just setting out the broad structure of the
22 collaborative process that you envision as a potential
23 option for the PUB to follow?

24 MR. ROGER COLTON: Yes. On slide 12,
25 yes.

1 MR. BYRON WILLIAMS: And just one (1)
2 part of this, directing your attention to the first
3 bullet, is a submission by a party of a specific
4 hypothesis of potential measures to be explored,
5 agreed?

6 MR. ROGER COLTON: Yes.

7 MR. BYRON WILLIAMS: And the third
8 bullet speaks to the parties submitting a term sheet
9 outlining the elements of the affordability structure
10 they would recommend, agreed?

11 MR. ROGER COLTON: Yes.

12 MR. BYRON WILLIAMS: And just to assist
13 our client in understanding how you see this
14 collaborative process rolling out, I want to share a
15 hypothetical with you. And you can accept the
16 assumptions. And -- and the purpose of the discussion
17 is I want to see whether it fits within the rubric of
18 your collaborative process.

19 Is that acceptable to you, sir?

20 MR. ROGER COLTON: Yes.

21 MR. BYRON WILLIAMS: And so I want you
22 to assume for a moment that a community organization
23 wishes to present the hypothesis that a critical driver
24 of energy affordability and human health challenges
25 relates to housing in urban, rural, and reserve

1 environments that is cold, leaky, and not energy
2 efficient.

3 I could repeat it, or do you have the
4 general thrust of that, sir?

5 MR. ROGER COLTON: Yes. Yes, I have
6 it.

7 MR. BYRON WILLIAMS: Okay. And, also,
8 the hy -- that -- I'd ask you to assume that this
9 community organization ultimately submits a term sheet
10 suggesting that the need to prioritize (sic) and expand
11 affordable energy investments suggests that bill
12 assistance implementation should either be commenced as
13 a pilot project or deferred until the Affordable Energy
14 Program is on a better footing.

15 Do you have the general thrust of that,
16 sir?

17 MR. ROGER COLTON: Yes.

18 MR. BYRON WILLIAMS: Okay. And so my
19 question is: Does your collaborative process preordain
20 -- envision a preordained bill affordably --
21 affordability solution or does it invite consideration
22 of a suite of tools, including recommendations as to
23 the weight that should be given to these tools?

24 MR. ROGER COLTON: The collaborative
25 process that I recommend would -- I don't know if

1 'preordained' would be the word I would use, but would
2 assume the need for a suite of interventions of which
3 affordability assistance would be one (1). It would be
4 up to the collaborative process to determine the
5 structure of the affordability assistance and the --
6 the manner and time period over which the affordability
7 assistance would be -- would be pursued.

8 MR. BYRON WILLIAMS: Okay. And just --

9 MR. ROGER COLTON: Does that respond to
10 your question?

11 MR. BYRON WILLIAMS: That's very
12 helpful. And -- and I just want to push it a little
13 bit further. For example, the structure that you
14 envision, would it preclude a term sheet which
15 considered the presentation of a bill affordability
16 pilot project while efforts were made to strengthen the
17 existing Affordability Energy Program?

18 MR. ROGER COLTON: Say that again?

19 THE CHAIRPERSON: Could you repeat that
20 question, please?

21 MR. BYRON WILLIAMS: Yeah, I think I've
22 been asked. And I wrote it down carefully, so.

23

24 CONTINUED BY MR. BYRON WILLIAMS:

25 MR. BYRON WILLIAMS: So, sir, the --

1 the collaborative process that you envision, would it
2 preclude a type of term sheet or outcome in which --
3 which considers the presentation or the development of
4 a bill affordability pilot project while efforts are
5 made to strengthen the existing Affordability Energy
6 Program?

7 MR. ROGER COLTON: No.

8 MR. BYRON WILLIAMS: Thank you.

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: Mr. Colton, just
13 directing your attention to Coalition Exhibit 23, which
14 is the blue-sheeted Public Utilities Commission
15 document from Pennsylvania, you have that, sir?

16 MR. ROGER COLTON: I do.

17 MR. BYRON WILLIAMS: And that's a
18 document that you're familiar with, given your
19 extensive work in -- in the state of Pennsylvania?

20 MR. ROGER COLTON: Yes, aware of.
21 Familiar -- I don't know where one crosses the line
22 from being aware of to familiar with, but I've worked
23 with the Chapter 14 reports, yes.

24 MR. BYRON WILLIAMS: Okay. Thank you.
25 And we're going to come to it in -- in just -- back to

1 it in just one (1) second, but I'm going to ask Diana
2 to pull up from your evidence, Mr. Colton, evidence
3 page 42, lines 5 to 6.

4

5 (BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: And, sir, here
8 you're talking about data collected by the Pennsylvania
9 PUC Bureau of Consumer Services that allows for the
10 comparison of low-income residential customers
11 participating in the CAP or CAP programs as compared to
12 confirmed low-inc -- income customers in general.

13 Agreed, that's the discussion that's
14 going on here?

15 MR. ROGER COLTON: Yes.

16 MR. BYRON WILLIAMS: And we don't need
17 to turn to these other pages, but I'll -- I'll ask you
18 to either confirm or accept, subject to check, that you
19 make reference elsewhere in your evidence to the
20 Pennsylvania CAPs, including at page 7, lines 22 to 23,
21 and pages -- page 63 at line 16.

22 Would you accept that, subject to check,
23 sir?

24 MR. ROGER COLTON: Yes.

25 MR. BYRON WILLIAMS: And indeed,

1 Appendix D of your evidence contains a mediated
2 settlement -- terms of a mediated settlement relating
3 to the PECO, P-E-C-O, Energy Company CAP, agreed?

4 MR. ROGER COLTON: Yes.

5 MR. BYRON WILLIAMS: Sir, just staying
6 on this page for a minute, there's the reference to the
7 data and -- but would I be correct in observing that
8 while you provide this data from the 2013 BCS
9 (phonetic) analysis, there's no footnote or citation
10 that provides a reference to the document?

11 You might have to look at your paper.

12 MR. ROGER COLTON: If --

13 MR. BYRON WILLIAMS: So footnote 28
14 talks about the program, but it doesn't provide the
15 citation or the -- the reference.

16 MR. ROGER COLTON: Yes, I accept that.

17 MR. BYRON WILLIAMS: Would it be
18 possible by way of undertaking for you to provide the
19 citation for the document relied upon, including the
20 page numbers, as well as an ele -- electronic link to
21 that document?

22 MR. ROGER COLTON: You simply want the
23 link, or do you want the document itself?

24 MR. BYRON WILLIAMS: I'd love to get
25 the -- the document. I don't want to burden the -- the

1 Board with a lot of paper, so I'll take the document if
2 you'll --

3 MR. ROGER COLTON: We -- we will
4 undertake to provide you that document, the 2013, which
5 would have been published -- the 2013 would have been
6 published in November of 2014.

7 MR. BYRON WILLIAMS: Fair enough.

8 MR. ROGER COLTON: But the 2000 -- it
9 would be the 2013 report.

10 MR. BYRON WILLIAMS: Okay. Thank you,
11 sir.

12 MR. ROGER COLTON: That is not this
13 Chapter 14 report.

14 MR. BYRON WILLIAMS: Exactly, and...

15

16 --- UNDERTAKING NO. 71: GAC to provide 2013 BCS
17 analysis document

18

19 CONTINUED BY MR. BYRON WILLIAMS:

20 MR. BYRON WILLIAMS: Now, if I could
21 ask Diana to go back to Coalition Exhibit 23, and the
22 first page being Roman numeral little i -- I -- Roman
23 numeral i, I guess.

24 Sir, when we talk about Chapter 14 in
25 the context of Pennsylvania, that's a -- a statute or

1 piece of legislation addressing responsible utility
2 consumer protection.

3 That's what Chapter 14's all about?

4 MR. ROGER COLTON: Chapter 14 was
5 called the Responsibility Utility Consumer Protection
6 Act, yes.

7 MR. BYRON WILLIAMS: And in terms of
8 what this document discusses, you'll agree, directing
9 your attention to the third bullet at the top of -- of
10 the page before us, that an element of the discussion
11 is the level of access to utility services by
12 residential customers, including low-income consumers.

13 Would that be fair?

14 MR. ROGER COLTON: In section 3?

15 MR. BYRON WILLIAMS: Well, I'm just
16 saying that in -- in this document, that's one (1) of
17 the things it discusses --

18 MR. ROGER COLTON: Yes.

19 MR. BYRON WILLIAMS: -- agreed? And it
20 also discusses some other issues that are of interest
21 to you, including working capital, uncollectable
22 levels, and collections of the affected public
23 utilities, agreed?

24 MR. ROGER COLTON: Yes.

25 MR. BYRON WILLIAMS: And we'll come to

1 it in a moment, but you'll agree that also within this
2 document are -- there's a -- a history of the
3 developments with regard to the Consumer Assistance
4 Program, including enrollment and spending, at least to
5 some degree?

6 MR. ROGER COLTON: Yes.

7 MR. BYRON WILLIAMS: Okay. I wonder if
8 I could ask Diana to turn page 69, Appendix 18 of this
9 document? And, Mr. Colton, I'll ask you to turn with
10 us.

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: And just to start
15 with, sir, just for clarification in terms of terms,
16 when we use the term 'CAP', all in capital letters, C-
17 A-P, or customer assistance program that's -- that's a
18 -- an alternative to traditional collection methods for
19 low-income payment-troubled customers, agreed?

20 MR. ROGER COLTON: I agree.

21 MR. BYRON WILLIAMS: And sometimes we
22 call it, in the context of this hearing, bill
23 affordability or bill assistance.

24 Would that be fair? You've heard those
25 terms used?

1 MR. ROGER COLTON: I agree.

2 MR. BYRON WILLIAMS: Okay. And when we
3 look at Appendix 18, what we're seeing is the -- for
4 the electric side in Pennsylvania, the -- the Public
5 Utilities Commission summary of the total CAP costs for
6 electric for the time period of 2002 through 2013, for
7 a number of selected companies.

8 Would that be right, sir?

9 MR. ROGER COLTON: I agree.

10 MR. BYRON WILLIAMS: And so we see,
11 starting out in 2002, on the left-hand side,
12 expenditures in the range of \$89.6 million.

13 Would that be fair?

14 MR. ROGER COLTON: Yes.

15 MR. BYRON WILLIAMS: And out to twe --

16 MR. ROGER COLTON: Now --

17 MR. BYRON WILLIAMS: Go ahead, sir.

18 MR. ROGER COLTON: -- let me back up.

19 We -- what we see here is the utility commission's
20 reporting of what it refers to as total CAP costs,
21 which is a defined term, for the years 2002 through
22 2013.

23 MR. BYRON WILLIAMS: Okay. Thank you.
24 And we'll -- we'll get to LIURP and others in a moment,
25 but as -- as we go out, we'll see in 2013, the -- the

1 figure of 233.9 million, sir.

2 Would that be fair?

3 MR. ROGER COLTON: Yes.

4 MR. BYRON WILLIAMS: Okay. If we can
5 flip over to just two (2) pages on to page 70, being
6 Appendix 20? And, sir, you'll see the acronym LIURP.
7 And you'll agree that is a state-wide utility-sponsored
8 residential usage reduction program mandated by the
9 Public Utilities Commission regulations.

10 Is that fair?

11 MR. ROGER COLTON: I agree with that.

12 MR. BYRON WILLIAMS: And without trying
13 to draw too tight of analogies, it would be analogous
14 to our Affordable Energy Program.

15 Would that be fair, sir?

16 MR. ROGER COLTON: Without drawing too
17 tight of an analogy, I agree that conceptually it is
18 the same.

19 MR. BYRON WILLIAMS: Okay. And we'll
20 see here again the -- the PUC portraying annual total
21 LIURP costs for the period, excluding 2003, but from
22 2002 out to 2013.

23 Would that be accurate, sir?

24 MR. ROGER COLTON: I agree.

25 MR. BYRON WILLIAMS: And in 2202 (sic)

1 we see a figure in the range of \$20.6 million, agreed?

2 MR. ROGER COLTON: I agree.

3 MR. BYRON WILLIAMS: And in 2013, about
4 \$29.4 million.

5 Would that be fair?

6 MR. ROGER COLTON: I agree.

7 MR. BYRON WILLIAMS: If we were to
8 compare in magnitude, sir, the CAP expenditures, let's
9 say for 2013 of -- of some 233.8 or \$9 million versus
10 the LIURP expenditures in 2013 of \$29.4 million, would
11 it be fair to say that the bill assistance program in -
12 - in Pennsylvania is -- is roughly eight (8) times
13 larger than the energy efficiency expenditures for low-
14 income persons?

15 MR. ROGER COLTON: If you round the CAP
16 costs off to two forty (240) and round the LIURP costs
17 off to thirty (30), it would be a ratio of roughly 8:1,
18 yes.

19 MR. BYRON WILLIAMS: Thank you. If we
20 could turn now to page 68, being Appendix 16?

21

22 (BRIEF PAUSE)

23

24 MR. BYRON WILLIAMS: Now, Mr. Colton,
25 you see the title of this Appendix 16 is:

1 "2013 universal service program costs
2 as a percentage of residential bill -
3 - building -- billings for electric."

4 Is that correct?

5 MR. ROGER COLTON: I see that.

6 MR. BYRON WILLIAMS: And when the --
7 the PUC uses the term 'universal service costs', it
8 includes CAP, which we discussed, LIURP, which we
9 discussed, and then a -- a much smaller prog -- program
10 known as CARES, C-A-R-E-S, agreed?

11 MR. ROGER COLTON: I agree that all
12 three (3) of those programs are within the universal
13 service programs.

14 MR. BYRON WILLIAMS: Okay. And when we
15 see the 2013 universal service costs of \$264.8 million,
16 you'll agree with me, based upon the numbers we just
17 went through, that the -- over 260 million of that
18 relates to CAP and LIURP.

19 Would that be fair, sir?

20

21 (BRIEF PAUSE)

22

23 MR. ROGER COLTON: I -- I'm not sure
24 where you get that number, but I would accept that
25 number, yes.

1 MR. BYRON WILLIAMS: Well, if -- if you
2 require confirmation, sir, I think we just looked at
3 CAP being in the range of 230 million --

4 MR. ROGER COLTON: Yes.

5 MR. BYRON WILLIAMS: -- LIURP being in
6 the range of 30 million. Collectively, that gets us to
7 260.

8 MR. ROGER COLTON: I see. Yes, I
9 agree.

10 MR. BYRON WILLIAMS: So they dominate
11 the universal service costs?

12 MR. ROGER COLTON: Absolutely.

13 MR. BYRON WILLIAMS: Okay. And what
14 the -- the column on the right-hand side tells us is
15 that the universal service cost is a percentage of resi
16 -- of residential billings amounts to about 4 -- 4
17 percent of the -- the costs.

18 Would that be fair, sir?

19 MR. ROGER COLTON: I agree.

20 MR. BYRON WILLIAMS: Now, I think this
21 will assist in a bit of a discussion you had with Board
22 member Kapitany. I wonder if we could turn to page 72,
23 Appendix 24.

24

25 (BRIEF PAUSE)

1 MR. BYRON WILLIAMS: And what the --
2 the Public Utilities Commission of Pennsylvania is
3 doing here, sir, is comparing collection costs -- or
4 identifying 2013 collection costs as a percentage of
5 billings, again for electric, agreed?

6 MR. ROGER COLTON: I see that.

7 MR. BYRON WILLIAMS: And in terms of
8 enumerating their collection costs, they're including
9 collect -- collections operating expenses, gross
10 writeoff cro -- costs, as well as the universal service
11 program costs, as well, agreed?

12 MR. ROGER COLTON: I see that, yes.

13 MR. BYRON WILLIAMS: And so they --
14 going to the total line, they get a total collection
15 cost of \$474.6 million, sir, agreed?

16 MR. ROGER COLTON: I agree.

17 MR. BYRON WILLIAMS: And they're
18 comparing that to the 2013 billings in total for
19 residential customers of 6.3 billion and getting a
20 collections cost as a percentage of billings of 7.6
21 percent, agreed?

22 MR. ROGER COLTON: I agree.

23 MR. BYRON WILLIAMS: Okay. And I can
24 show you the reference if you would like to, sir. If
25 we looked at collection costs as a percentage of

1 billings and we're comparing 2013 to '24 -- excuse me,
2 2004.

3 Would you agree that there's been a very
4 slight increase on the electric side from about 7.1
5 percent up to seven point six (7.6)? And if you need a
6 reference, it's Roman number III right at -- at the
7 start of this document.

8 MR. ROGER COLTON: I -- I would accept
9 that, subject to check.

10 MR. BYRON WILLIAMS: Just before we
11 leave the appendices, could we go to Appendix 28, page
12 74, for a moment, please?

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: And, sir, this
17 table presents the monthly average bill for certain
18 utilities, both for heating and non-heating accounts,
19 in -- in a number of -- two (2) years inclu -- being
20 2002, as well as 2013, agreed?

21 MR. ROGER COLTON: I agree.

22 MR. BYRON WILLIAMS: So if we go in
23 three (3) columns, we'll see that the average bill --
24 for heating customers, the average monthly bill ranges
25 between a low of eighty-two dollars (\$82) and a high of

1 one hundred and sixty dollars (\$160), sir. Does -- is
2 it --

3 MR. ROGER COLTON: I agree with that.

4 MR. BYRON WILLIAMS: And if we go along
5 to the second-last column to the right, we'll see that
6 the --that presents the average bill for non-heating
7 customers with the low being about fifty-two dollars
8 (\$52) a month, and the high being about one hundred and
9 seven dollars (\$107) a month.

10 Would that be fair, sir?

11 MR. ROGER COLTON: I agree.

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: I wonder if we
16 could turn into the main report to Table 12, which I
17 believe appears at page 18 and which may or may not
18 assist Professor Grant in one (1) of his questions.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: Mr. Colton, what -
23 - what this table attempts to present over time for the
24 different utilities is a percentage of residential
25 customers in debt active accounts on the electric side.

1

2 Is that fair, sir?

3 MR. ROGER COLTON: I agree.

4 MR. BYRON WILLIAMS: And if we -- we
5 get to the total, we see back in -- in 2002 we had a
6 percentage of 18.4 percent, agreed?

7 MR. ROGER COLTON: Yes.

8 MR. BYRON WILLIAMS: And 2013 we've got
9 in the range of 17.6 percent?

10 MR. ROGER COLTON: Yes.

11 MR. BYRON WILLIAMS: Okay. And we
12 won't go through all the myriad tables in this document
13 but you'll agree with me, given your familiarity, that
14 there's a lot of insight in this document about the --
15 the history of the experience of residential consumers
16 in a number of issues, including bills, terminations,
17 insight like that, sir.

18 Would that be fair?

19 MR. ROGER COLTON: I -- I would agree
20 that the chap -- that this Chapter 14 report presents
21 data on bills, collections, and related matters.

22 MR. BYRON WILLIAMS: Okay. And --

23 MR. ROGER COLTON: In Pennsylvania.

24 MR. BYRON WILLIAMS: In Pennsylvania.

25 And I'm going to ask you to turn to page 50 of this

1 document and, Diana, if you can take -- take the
2 conclusions up to the top and -- that's perfect.

3 And, Mr. Colton, I'm going to give you a
4 bit of time just to review the conclusions, and I'll
5 remind you that it flips over onto the other page just
6 a bit. And then I'd -- I've been doing a lot of the
7 talking. I'm going to give you a chance to talk in
8 terms of the conclusions, and then I might have some
9 follow-up questions.

10 So take a couple moments if you need,
11 and just to -- to walk through the observations you
12 would draw from these conclusions, sir.

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: And, Diana, if you
17 could just scroll up just a touch so we can see the
18 little bit on page 51? Thank you.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: And, Mr. Colton,
23 I'm -- I'm not in a rush so when you're ready, I'm --
24 I'm ready.

25 MR. ROGER COLTON: Whenever you --

1 okay.

2 MR. BYRON WILLIAMS: Is there any --
3 just in terms of any conclusions or insights you get
4 from this -- this section?

5 MR. ROGER COLTON: Is there any
6 conclusion or --

7 MR. BYRON WILLIAMS: Or are there any
8 response you want to -- to share in terms of this, sir?
9 I have some questions, but I thought I'd give you a
10 chance if there's anything you want to share.

11 MR. ROGER COLTON: Well, I -- I'm not a
12 -- I'm not sure I agree with all of this. I'm not sure
13 that I agree that the cold weather survey data is the
14 most important indicator of the level of access to
15 utility service. The cold weather survey measures the
16 number of customers without service at the beginning of
17 the heating season. That is an indicator. I'm not
18 sure it's the most important indicator.

19 The -- the numbers are what they are.
20 Terminations increased by 123.7 percent. Yes, that --
21 that of course happened. That was the -- maybe not the
22 purpose, but the expected result of the enactment of
23 Chapter 14 and exactly what was expected to occur did
24 occur because of the enactment of Chapter 14.

25 The fact that CAP customers paid 83

1 percent of their bills in 2013 is a -- a positive
2 indication when you look at the percentage of bills
3 paid by CAP customers prior to entry in -- into CAP.
4 And I'm sure that you would see in this Chapter 14
5 report and you'll certainly see in the universal
6 service report that we've made a -- an undertaking to
7 provide that the percentage of bill paid by CAP
8 customers or by confirmed low-income customers, which
9 is a term of ours in Pennsylvania, is -- is far less
10 than 83 percent. The 83 percent is a significant
11 improvement over confirmed low-income customers who are
12 not participating in CAP.

13 I agree that the -- the commission --
14 the Pennsylvania commission is certainly a proponent of
15 the Low-Income Usage Reduction Program, the LIURP
16 program which it talks about at the bottom of page 50
17 and it provides weatherization services. I -- I'm not
18 sure what the commission means when it says that LIURP
19 emphasizes customer responsibility. I think CAP does,
20 but I'm not sure what the commission means.

21 I agree that the coordination between
22 weatherization and a -- a variety of programs presents
23 a unique opportunity to address the residence as a
24 whole and remedy many of the barriers that contribute
25 to higher termination rates. It is the combination of

1 CARES, which is a customer referral system, the
2 hardship funds which is the -- also goes into the
3 emergency -- also goes into the universal service
4 programs. Not the hardship fund benefits, but the
5 hardship fund administration, the usage reduction, the
6 bill affordability.

7 The -- the statement here at the top of
8 page 51 is exactly what I've talked about when I talk
9 about the need for a suite of responses. And in
10 Pennsylvania it's LIURP which is the energy efficiency
11 program, CAP which is the affordability program, the
12 hardship fund which is the crisis program. And then
13 Pennsylvania has what -- what's called its CARES
14 Program which is, as I said, a referral program which I
15 haven't talked about --

16 MR. BYRON WILLIAMS: Okay.

17 MR. ROGER COLTON: -- in Manitoba.

18 MR. BYRON WILLIAMS: And thank you.

19 And -- and just because there's an acronym here, CWS.
20 That's an assessment of the number of households
21 without heat-related surfaces -- services entering the
22 winter months.

23 Is that your understanding?

24 MR. ROGER COLTON: That -- CWS is the
25 cold weather survey, and, yes, I agree with your

1 characterization.

2 MR. BYRON WILLIAMS: And just before we
3 leave this document and perhaps this will assist in one
4 -- one of your discussions with Board member Grant, if
5 we can go back to page 47, the second paragraph from
6 the top?

7

8 (BRIEF PAUSE)

9

10 MR. BYRON WILLIAMS: And just in
11 looking at that paragraph and recalling your discussion
12 with Professor Grant in terms of safety issues, these
13 are the types of safety issues of which you were
14 speaking in terms of a discussion of these -- these
15 programs, agreed, sir?

16 MR. ROGER COLTON: The use of defacto
17 electric space heating is a huge, huge issue in
18 Pennsylvania for the reasons that the PEC presents
19 here, yes.

20 MR. BYRON WILLIAMS: Okay. Thank you.
21 And if we could go to Coalition Exhibit 24, which is
22 the -- a survey -- an excerpt from a final evaluation
23 report of PECO Energy, its universal services program.

24 And, Mr. Colton, this is a document that
25 you're -- you have some familiarity with, sir?

1 MR. ROGER COLTON: I am. This -- this
2 is the -- the program that was subject to the
3 collaborative process, the -- the outlines of which I
4 attached as an appendix to my testimony.

5 MR. BYRON WILLIAMS: Okay. And if we
6 could turn to page 13 of this document, and I'll --
7 just for the Board, I'll indicate I included the
8 executive summary so you have some context on the whole
9 report, and then just a few pages that are of
10 particular interest to my clients. And, Diana, if you
11 could pull -- pull up to the -- under 'F', CAP
12 participation rates? That's perfect there.

13 Mr. Colton, this -- this refers to --
14 goes to a discussion you had with Chairperson Gosselin.
15 In terms of and -- and I guess geographically PECO is
16 in the area of Philadelphia, and it covers what, five
17 (5) counties?

18 Is that -- that right, sir?

19 MR. ROGER COLTON: It -- it serves the
20 metro -- it serves the City of Philadelphia for
21 electricity, and then it serves the Philadelphia metro
22 area outside of the city itself with natural gas. PGW
23 is the Philadelphia gas provider.

24 MR. BYRON WILLIAMS: Okay. And -- and
25 this is referring to the participation rates for PECO's

1 CAP program in 2009, and I'll suggest to you what it's
2 telling us is that 46 percent, or one hundred and
3 thirty-one thousand (131,000) of the two hundred and
4 eighty-seven thousand (287,000) eligible customers
5 participated in the CAP program.

6 Is that right, sir?

7 MR. ROGER COLTON: That's what this
8 says. Yes, I accept that.

9 MR. BYRON WILLIAMS: Okay. And I can
10 give you a reference if you require it, sir, for the
11 purposes of this report the authors did an estimate, as
12 well, of the participation rates of income eligible
13 households in other utilities.

14 Do you recall that?

15 MR. ROGER COLTON: In this report?

16 MR. BYRON WILLIAMS: Yeah.

17 MR. ROGER COLTON: No.

18 MR. BYRON WILLIAMS: Maybe if -- Diana,
19 if we can just turn to page 15 for a second, and Table
20 2-17. Just scroll up.

21 And the conclusion of the authors of the
22 report at this point in time, and this again was in
23 2012 report but on 2009 data, they're showing a
24 participation rate for the state as 32 percent composed
25 of PECO at 46 percent, and other electric utilities at

1 25 percent?

2 MR. ROGER COLTON: Sure.

3 MR. BYRON WILLIAMS: And you'll accept
4 that, sir, as reflect -- reflective of the data?

5 MR. ROGER COLTON: As reflective of the
6 -- the data as of 2009 --

7 MR. BYRON WILLIAMS: And we'll see --

8 MR. ROGER COLTON: -- yes.

9 MR. BYRON WILLIAMS: -- your universal
10 service report for 2013, you're going to file that by
11 way of undertaking.

12 MR. ROGER COLTON: I will.

13 MR. BYRON WILLIAMS: Okay. If we can
14 go back to page 13 for a moment, Table 11. -- or 2.13,
15 right near the bottom.

16 And directing your -- this, sir, I'll
17 suggest, looks at participation rates within the PECO
18 CAP program at different levels of poverty, agreed?

19 MR. ROGER COLTON: I agree.

20 MR. BYRON WILLIAMS: And when I see
21 that in the -- in the top -- on the left-hand side the
22 poverty level's zero to 25 percent, am I to -- to
23 conclude that this suggests a participant whose income
24 is at or below 25 percent of the federal poverty
25 guidelines?

1 MR. ROGER COLTON: I agree.

2 MR. BYRON WILLIAMS: And so for that
3 population, what the authors here presented is an
4 eligible population of -- of forty (40) -- four (4)
5 point -- forty-five thousand (45,000) roughly with
6 about eleven thousand, five hundred (11,500)
7 participating.

8 Would that be fair, sir?

9 MR. ROGER COLTON: I agree.

10 MR. BYRON WILLIAMS: A participation
11 rate of 25 percent for that particular subsection of
12 the population?

13 MR. ROGER COLTON: Yes.

14 MR. BYRON WILLIAMS: I wonder if we
15 could go to your evidence, page 36, lines 19 to 20.

16

17 (BRIEF PAUSE)

18

19 MR. BYRON WILLIAMS: And just you had a
20 discussion with Professor Grant about cost
21 effectiveness versus benefit-cost analysis. But in
22 terms of cost effectiveness, I'll just direct or your
23 attention, your point is that the purpose of -- to the
24 very last line:

25 "The purpose of cost effectiveness

1 analysis is to ascertain which
2 intervention
3 to the next page] can achieve a
4 particular objectives at the lowest
5 cost."

6 Is that a fair description of what
7 you're trying to look at, sir?

8 MR. ROGER COLTON: That's what my
9 testimony states, yes.

10 MR. BYRON WILLIAMS: And in terms of
11 the objective of bill affordability and how you would
12 define it, and I -- I'm pulling from your evidence at
13 page 38, lines 8 to 9, but is the objective that
14 utility service should be preserved where feasible?

15 Is that -- what is the objective, sir,
16 of -- of bill affordability if you were to characterize
17 it?

18

19 (BRIEF PAUSE)

20

21 MR. ROGER COLTON: The object -- there
22 is no single objective. The objectives would be from a
23 business perspective and from -- or from a utility
24 perspective and from a customer perspective.

25 From the customer's perspective, I would

1 agree that it would be to preserve service to the
2 extent possible. From the utility perspective, it is
3 the five (5) metrics that I have talked about this
4 morning, the complete payment, timely payment, regular
5 payment, and so on.

6 So the objectives of a program are
7 perspective -- perspective dependent.

8 MR. BYRON WILLIAMS: Okay. Thank you.
9 You mentioned that you had been providing advisory
10 assistance to the officer of the consumer advocate in
11 the proceedings that are set out, in -- in part, in
12 Appendix D to your evidence, sir.

13 Is that right?

14 MR. ROGER COLTON: Yes.

15 MR. BYRON WILLIAMS: And that was a
16 negotiated settlement involving PECO Energy, the office
17 of the com -- community advocate, and some community
18 organizations.

19 Is that right, sir?

20 MR. ROGER COLTON: Yes.

21 MR. BYRON WILLIAMS: And as part of
22 that mediated settlement, am I correct in suggesting
23 that roughly forty thousand (40,000) people were being
24 phased out of eligibility for affordability programs?

25 MR. ROGER COLTON: No, PECO's

1 participation is -- is now up to about a hundred and
2 forty thousand (140,000) customers. And under the
3 program structure that we all agreed to, using a royal
4 'we' here, using -- the parties agreed to roughly forty
5 thousand (40,000) customers in the upper income tier
6 would no longer receive bill assistance toward their
7 current bill.

8 They would be eligible for bill
9 assistance. It's just that their -- their incomes and
10 the percentage of income deemed to be affordable would
11 mean that they don't need bill assistance and therefore
12 they wouldn't received bill assistance.

13 MR. BYRON WILLIAMS: And so they got a
14 -- kind of a phase out benefit as part of the
15 settlement agreement?

16 MR. ROGER COLTON: They will receive a
17 phase out benefit. The decision was simp -- was -- did
18 not simply drop forty thousand (40,000) customers all
19 of a sudden, but to provide a phase-out benefit, yes.

20 MR. BYRON WILLIAMS: And just to finish
21 off that, and one (1) of the tradeoffs for those
22 customers, and if I'm misphrasing it you'll -- you'll
23 catch it for me, was that they would be -- that there
24 would be more -- more funds made available through the
25 low-income usage reduction program, about a million

1 dollars more?

2 MR. ROGER COLTON: The -- the
3 additional LIURP funds would not be necessarily
4 directed toward those forty thousand (40,000)
5 customers, but the accommodation was that in order to
6 make the decrease population of forty thousand (40,000)
7 more palatable to the low-income advocates, that the
8 company would increase its low-income usage reduction
9 spending.

10 MR. BYRON WILLIAMS: Okay. Now, just a
11 couple questions about the collaborative process. And
12 I take it you have familiarity both with company-led
13 mediations or discussions and third-party-led
14 mediations or settlement discussions.

15 You've got experience with both
16 approaches, sir?

17 MR. ROGER COLTON: I don't think I've
18 ever participated in a company-led mediation, but I --
19 I understand the concept, of course.

20 MR. BYRON WILLIAMS: Do you have any
21 observations on the value, if any, of having a -- a
22 third-party or an independent party lead such
23 discussions?

24 MR. ROGER COLTON: Yes.

25 MR. BYRON WILLIAMS: Would you like to

1 share them?

2 MR. ROGER COLTON: Well, the advantage
3 of having a third party lead the discussion is that it
4 allows each of the stakeholders to be a -- an advocate,
5 if you will, for its perspective. So if there is a
6 group of customers who live in rural energy-inefficient
7 housing, as a stakeholder they can advocate for their
8 position.

9 If -- the company can be an advocate for
10 its position. And the third-party mediator can be the
11 honest broker to make sure that the process is
12 proceeding rather than any particular perspective being
13 predominating.

14 MR. BYRON WILLIAMS: Okay. Thank you.
15 And -- and in terms of the process that you recently
16 participated in, the community organizations that
17 participated, did they done -- donate their time and --
18 and pay for their own -- own experts, or was there a --
19 a support for them in terms of participating in the
20 program?

21 MR. ROGER COLTON: The community
22 organizations were represented by counsel. They -- and
23 the financial arrangements, I -- the financial
24 arrangements were never part of the mediation. So I
25 don't know -- I don't know who got paid or how --

1 MR. BYRON WILLIAMS: Okay.

2 MR. ROGER COLTON: -- if at all.

3 MR. BYRON WILLIAMS: And -- and
4 finally, and -- and if this is going too deep into the
5 -- the weeds you'll -- you'll let me know, in terms of
6 a process like this, if we embarked upon one in
7 Manitoba, would the research capacity, would you
8 envision it being done by Hydro, by independent
9 researchers, by academics?

10 How does that work?

11 MR. ROGER COLTON: I think that the --
12 that the data collection that would need to be done --
13 well, it -- it would really depend. Hydro would be
14 looked to to -- to develop certain data. But it would
15 really depend on -- on the questions that -- that are
16 presented.

17 Again, going back to the rural
18 population that lives in energy inefficient housing,
19 the -- it -- it would be very possible that the --
20 those organizations representing those stakeholders
21 would be the best source of information, more than
22 Hydro itself or more than any of the other
23 stakeholders.

24 MR. BYRON WILLIAMS: Okay.

25 MR. ROGER COLTON: That -- that seems

1 to be an unsatisfying answer, but the answer, it
2 depends. But it really does. It depends.

3 MR. BYRON WILLIAMS: Mr. Colton, I've
4 been pretty satisfied with your answers, so I'll --
5 I'll accept that. They've been thoughtful, and our
6 client truly appreciates you coming back up and -- and
7 sharing your insight. And we look forward to the
8 undertaking as well.

9 MR. ROGER COLTON: Thank you.

10 MR. BYRON WILLIAMS: Thank you. And
11 those are our questions, Mr. Chair.

12 THE CHAIRPERSON: Mr. Williams, I'm
13 looking at the clock now. I wonder if it would be an
14 appropriate time to take a lunch break, and hearing no
15 objections, we'll take -- we'll break for lunch, which
16 would suggest that we would be resuming the proceedings
17 at twenty-five (25) to one o'clock, forty-five (45)
18 minutes. Thank you very much. We'll see you at that
19 time.

20

21 --- Upon recessing at 11:49 a.m.

22 --- Upon resuming at 12:39 p.m.

23

24 THE CHAIRPERSON: Good afternoon. I
25 believe we're ready to resume the proceed --

1 proceedings. Sorry for the delay. I will turn the
2 microphone over to Mr. Orle, plea -- no -- Mr. Orle,
3 please, yes.

4

5 CROSS-EXAMINATION BY MR. GEORGE ORLE:

6 MR. GEORGE ORLE: Thank you, Mr.
7 Chairman. Mr. Colton, my name is George Orle. I'm
8 here acting on behalf of an organization known by the
9 acronym of MKO, which represents sixty-five thousand
10 (65,000) First Nations residents in northern Manitoba
11 in approximately thirty (30) different communities.
12 All of them are serviced by electricity, and that is an
13 area in the province where gas service is not
14 available. So I give that to you by way of background
15 of -- of who I'm here representing.

16 When I read through your report the
17 first time we received it, and then the second time
18 within the last few days, I -- I was struck by an old
19 saying that I'd heard a number of years ago, and it was
20 that if you -- if you owed the bank a million dollars
21 and you couldn't pay, you had a problem. If you owed
22 the bank a hundred million dollars and you couldn't
23 pay, then the bank had a problem.

24 And it seemed to me that when I read
25 your report, that you were saying that this problem

1 that many of our customers have in terms of inability
2 to pay really came down to that there's a -- there's a
3 way that this also affects Manitoba Hydro, and that
4 it's as much of a problem to them as it is to these --
5 to these customers.

6 Would that be correct?

7 MR. ROGER COLTON: I agree with that.

8 MR. GEORGE ORLE: Okay. The suggestion
9 that you've made of a collaborative process, you're --
10 you're really suggesting a -- a fairly long-term
11 solution to -- to fixing this problem that we have
12 right now?

13 MR. ROGER COLTON: Long term in the
14 sense that a decision on what to do -- what is
15 appropriate to do won't be made in the next three (3)
16 months, or even the next six (6) months. It could be --
17 - the decision on what should be done would be twelve
18 (12) or fifteen (15) months out, and then the actual
19 implementation of that decision could be another twelve
20 (12) months out. So, you know --

21 MR. GEORGE ORLE: That's what I was
22 suggesting --

23 MR. ROGER COLTON: -- it's --

24 MR. GEORGE ORLE: -- that this isn't an
25 immediate bandage that we're going to be able to put

1 onto the wound that's going to stop it or cure it in
2 any way.

3 MR. ROGER COLTON: I agree.

4 MR. GEORGE ORLE: And this
5 collaborative process that you spoke about, this --
6 this is really one (1) tool among many that we may have
7 available to deal with this problem of inability to
8 pay.

9 And from reading your report, am I
10 correct in the interpretation that your opinion is that
11 -- that energy savings through supply management really
12 is not sufficient -- a sufficient tool alone to deal
13 with this problem?

14 MR. ROGER COLTON: I agree with that.

15 MR. GEORGE ORLE: And that the programs
16 that we have for affordability as it's currently set up
17 is not a -- a solution that's going to cure this
18 problem on its own?

19 MR. ROGER COLTON: The emergency
20 assistance that's currently set up will not cure the
21 problem on its own, yes.

22 MR. GEORGE ORLE: And in your main
23 report, I -- I think I can use the words that you were
24 fairly critical of Manitoba Hydro in their ability to
25 gather information, and to be able to assess the

1 information that they had?

2 MR. ROGER COLTON: I don't think I was
3 critical of the ability of the Company to gather and
4 assess that information. I was critical of the fact
5 that the Company simply has chosen for what I would
6 term ideological reasons not to undertake such
7 information-gathering and assessment.

8 MR. GEORGE ORLE: Okay. And would I be
9 correct in saying, sir, that any collaborative process
10 would -- would not have any value, or maybe may not
11 even -- be a non-starter until that information is put
12 together in a way that can be used by whatever panel is
13 going to be dealing in that process?

14 MR. ROGER COLTON: Having good
15 information is an important aspect of a collaborative
16 process, absolutely.

17 MR. GEORGE ORLE: Okay. In your
18 report, you do an analysis of current account arrears,
19 and you -- you had some fairly frightening statistics
20 in there, that the average number of accounts in
21 arrears is -- is increasing in Manitoba?

22 MR. ROGER COLTON: Yes. And the
23 average number of accounts very far in arrears, over a
24 thousand dollars (\$1,000), over eight hundred dollars
25 (\$800), is increasing.

1 MR. GEORGE ORLE: And I believe another
2 one of your statistics was that 50 percent of the
3 deferred payment plans that are entered into end up in
4 a default?

5 MR. ROGER COLTON: That's correct.

6 MR. GEORGE ORLE: And that the discon -
7 - disconnection notices had increased by approximately
8 16 percent into the year 2014?

9 MR. ROGER COLTON: Yes.

10 MR. GEORGE ORLE: I'm going to direct
11 you to some information that you may not have had, sir,
12 and that's with respect to -- to my own clients. And
13 this has already gone before the Board as information,
14 but I -- I'll tell you that as a -- as an example, out
15 of the -- the thirty (30) communities, the -- the
16 lowest amount in terms of First Nation residential
17 accounts that are in arrears, the community has
18 approximately 27.3 percent of all of its accounts in
19 arrears, and that's the lowest amount. And the highest
20 amount in any of the communities is just over 81
21 percent in -- in accounts in arrears.

22 Would you suggest that's a -- a fairly
23 serious problem in terms of accounts in arrears?

24 MR. ROGER COLTON: I -- I would. That
25 -- that is evidence of the argument that I'm making

1 where when people have an inability to pay, that is not
2 simply, as you said, a problem to them, but it becomes
3 a problem to the utility as well.

4 MR. GEORGE ORLE: Okay. And these --
5 these arrears that -- that you've documented and that --
6 -- that I've just provided to you, tho -- those are
7 based upon the -- the current rates that we have in
8 Manitoba.

9 You're aware of that?

10 MR. ROGER COLTON: Yes.

11 MR. GEORGE ORLE: And what we're
12 dealing with at this hearing is a request for an almost
13 4 percent increase this year and in the next several
14 years for -- for rates.

15 What direction do you see that
16 propelling the -- the arrears, the disconnections, and
17 -- and the -- the inability to maintain payments?

18 MR. ROGER COLTON: My exp -- my
19 expectation --

20 MR. GEORGE ORLE: I'm sorry. And I --
21 and I meant everything else remaining equal.

22 MR. ROGER COLTON: My expectation is
23 that the -- the problem will become bigger before it
24 becomes smaller. That when you have prices increasing
25 faster than incomes, then the arrearage problem -- the

1 non-payment problem, let me not say simply arrearages,
2 but the non-payment problem will become bigger.

3 MR. GEORGE ORLE: Okay. The plans that
4 you've spoken about and the ones that we've heard about
5 all begin from a very basic definition, that is, who
6 would be a -- a vulnerable ratepayer or who would fall
7 into the category of those unable to maintain their
8 rates?

9 Would I be correct in saying that this
10 is not a -- a fixed amount throughout our
11 jurisdictions, but one (1) that is primarily based upon
12 what definition each jurisdiction takes?

13 MR. ROGER COLTON: If -- if I
14 understand your question, I'm not sure I would agree
15 with that proposition. I think that one would say that
16 the -- the home energy bur -- the electric burden,
17 which is a bill as a percentage of income, would be the
18 -- the surrogate that you're going to use to
19 demonstrate inability to pay. And that percentage
20 would be uniform through the entire province -- through
21 the entire service territory.

22 Now, obviously, there are going to be
23 parts of the service territory that are lower income,
24 and so the percentage of income times the actual
25 incomes will yield a -- a smaller bill that is

1 affordable. But the surrogate that -- that one uses
2 would remain the same throughout the service territory.

3 MR. GEORGE ORLE: Okay. And, sir, have
4 you done any calculation as to what that level would be
5 or what that number would be in Manitoba?

6 MR. ROGER COLTON: No. The -- I tend
7 to use 6 percent as an affordability, because I think
8 that there's a good, solid, empirical basis for that.
9 But what -- I haven't recommended a -- a particular
10 model, so there's not even -- it's not even a given
11 that a -- a percentage of income approach would be used
12 at all -- at all. But even if a percentage of income
13 approach is used, there would be a need to decide what
14 percentage of income people would like to use as
15 affordable, and then there is always a balancing
16 between the ideal and the programatically affordable.

17 So one may not use 6 percent, one may
18 use 8 percent or 9 percent, simply because you don't
19 want to spend the money that a 6 percent program would
20 cost. But that is the reason for a -- a proc -- the
21 process that I've recommended, rather than having me
22 come in and say, We should have a percentage of income
23 program using 6 percent, and so on and so forth.
24 That's the reason for the mediation process -- the
25 collaborative process.

1 MR. GEORGE ORLE: Okay. That was going
2 to be my next question. So you would see the
3 definition of who would be the -- the impacted customer
4 as being part of the overall discussion, hopefully
5 resolving itself into an agreed-upon amount, or that
6 that would come before the Board, and the Board would
7 then make the -- the decision as to what is the -- the
8 definition of the impacted group?

9 MR. ROGER COLTON: Yeah. I -- I only
10 disagree with what you said in the fact -- in that you
11 structured it as an either/or. I think that either the
12 mediation comes to a collaborative pro -- it -- it
13 comes to a collaborative agreement, or the mediation,
14 even if it doesn't come to an agreement, may narrow the
15 -- the points of disagreement.

16 And so what comes before the Board for
17 decision may be -- even if there's a disagreement, may
18 be substantively different than if it just went to the
19 Board without the -- the possibility of the mediation
20 or the collaborative conversation with which you would
21 get -- so it's the narr -- the narrowing of
22 disagreement that I think could happen through a
23 collaborative.

24 MR. GEORGE ORLE: Okay. Sir, Appendix
25 E to -- to your report is the -- the program that's

1 been set up in Ontario?

2 MR. ROGER COLTON: Yes.

3 MR. GEORGE ORLE: And do you have some
4 familiarity with that program, sir?

5 MR. ROGER COLTON: I -- I was involved
6 with the process to the point where the Minister of
7 Energy announced the program. I haven't been involved
8 with the steps since the announcement this spring and
9 the implementation of the program.

10 MR. GEORGE ORLE: Okay. Were you
11 involved in the -- the collaborative process that led
12 up to that? I -- I note that the -- that the appendix
13 talks about there being involvement by a number of the
14 stakeholders, including Metis and First Nations
15 representatives.

16 Were you involved in -- in that part of
17 it, the initial staging?

18 MR. ROGER COLTON: I was the consultant
19 to one (1) of the parties to the collabor -- to the
20 collaboration.

21 MR. GEORGE ORLE: Okay. And do you
22 know, sir, how in Ontario they decided who the
23 participants were going to be? Was that opened up to
24 whoever wanted to be part of it and then they would be
25 designated or chosen if they had a -- an interest that

1 was identifiable?

2 MR. ROGER COLTON: I don't even think
3 it was that constrained. The process was -- was open
4 to whichever stakeholders wished to participate. One
5 didn't -- there wasn't the equivalent of an
6 intervention process, that you had to be granted the
7 right to participate. It -- it was a -- a broader
8 partici -- a broader process than what you suggested.

9 MR. GEORGE ORLE: Okay. And the -- was
10 there a mediator appointed to -- to assist in that
11 process?

12 MR. ROGER COLTON: There wasn't a -- a
13 formal mediator. There was a -- an individual OEB
14 staff person who really led the -- the process, but I
15 don't think he viewed himself as a -- a mediator.

16 MR. GEORGE ORLE: Okay. And are you
17 aware, sir, of how the -- the different participants
18 were funded for that process?

19 MR. ROGER COLTON: No. No, I was a
20 consultant to a stakeholder, so I -- how other people -
21 - what other people's internal financing was wasn't
22 something that I would have been privy to.

23 MR. GEORGE ORLE: Okay. And in terms
24 of the stakeholders, would all of the stakeholders have
25 either a consultant, such as yourself, or -- or someone

1 that's well-versed in -- in energy procedures and
2 programs?

3 MR. ROGER COLTON: I -- I -- we're
4 still talking about Ontario, or are we --

5 MR. GEORGE ORLE: Yes.

6 MR. ROGER COLTON: -- still talking
7 about -- the -- the other stakeholders tended not to
8 have their own consultants. Or I guess, I should say,
9 if they did -- and this is going to sound wishy-washy,
10 I don't mean -- if they did have their consultants, I
11 wasn't aware of it.

12 The -- in the processes in which I was
13 engaged, their own independent consultants, if any,
14 were not evident.

15

16 (BRIEF PAUSE)

17

18 MR. GEORGE ORLE: Am I understanding
19 from the information in your Appendix E, this -- this
20 particular program that's been set up in Ontario is
21 being funded by -- by the ratepayers themselves?

22 MR. ROGER COLTON: Yes.

23 MR. GEORGE ORLE: And I believe that
24 the initial indication was that that was going to
25 result in a -- a -- in a one dollar (\$1) a month charge

1 to each ratepayer to cover this -- this program?

2 MR. ROGER COLTON: Yes.

3 MR. GEORGE ORLE: And would that have
4 been part of the -- the collaborative process in -- in
5 determining how the -- the program would be -- would be
6 paid for?

7 MR. ROGER COLTON: With the -- that
8 being the level of cost per ratepayer?

9 MR. GEORGE ORLE: Yes.

10 MR. ROGER COLTON: Well, of course.
11 The -- the cost of a program is always a -- a
12 consideration. So, yes, the cost -- my answer is that
13 the cost of a program is always a consideration in a
14 collaborative process, and would affect the -- the
15 choice -- the choices that are made.

16 THE CHAIRPERSON: Mr. Colton, the
17 charge of one dollar (\$1) per ratepayer per month, is
18 that typical of the charges applicable in other
19 jurisdictions -- jurisdictions to...?

20 MR. ROGER COLTON: I -- I don't think
21 it's -- I don't think one can generalize. And part of
22 the -- part of the reason I'm saying that is because
23 the -- how one defines the cost of a program differs so
24 widely. So some people do it on a dollar per unit of
25 energy. Some people do it on a -- a dollar per

1 customer. Some people do it -- when I say, "people,"
2 some jurisdictions.

3 Some jurisdictions do it as a percentage
4 of jurisdictional revenues, but I don't think there is
5 a -- a single way that regulators have chosen.

6

7 CONTINUED BY MR. GEORGE ORLE:

8 MR. GEORGE ORLE: And would this
9 contribution to the program, this -- that's placed on
10 the ratepayer, would that also apply to the ratepayers
11 that are receiving relief under the program? So that
12 if I -- if I was getting a credit, would -- would my
13 bill still include the additional dollar to pay for the
14 program?

15 MR. ROGER COLTON: Most places do not
16 do that, that you don't provide a discount, and then
17 charge the cost of the discount back to the program
18 participants. And I would have to go back and look to
19 see what Ontario decided. I think Ontario does not
20 charge the program participants the cost of the
21 program.

22 MR. GEORGE ORLE: And the -- the
23 program in Ontario is essentially a -- a fixed amount
24 for -- for each ratepayer, depending on their income
25 level, and then that's applied as a credit to their

1 actual bill?

2 MR. ROGER COLTON: It is a fixed credit
3 based on income and household size that varies based on
4 income household size that is then applied to the bill,
5 yes --

6 MR. GEORGE ORLE: Okay.

7 MR. ROGER COLTON: -- the bill of the
8 participant.

9 MR. GEORGE ORLE: And I note that in
10 the report, or the -- the announcement of it, that
11 there was the first level of funding, which is the
12 credit that we're talking about right here. But I'll
13 read from -- from the background, or page 2. At the
14 very top of it, it reads:

15 "A second funding level is also being
16 considered for customers with special
17 electricity requirements, such as
18 electric heat, medical devices
19 requiring electricity, and First
20 Nations and Metis consumers."

21 Were you aware of that component of the
22 -- the plan?

23 MR. ROGER COLTON: Yes.

24 MR. GEORGE ORLE: So that in initial to
25 -- or in addition to the initial funding which appears

1 to be based solely upon income and family size, there
2 appears to be consideration for a second level that
3 will be based upon some very specific criteria?

4 MR. ROGER COLTON: I agree, yes.

5 MR. GEORGE ORLE: And again, would --
6 would those specific criteria been -- been part of the
7 collaborative process and the discussions from those --
8 or I'm sorry, and -- and the results from those
9 discussions?

10 MR. ROGER COLTON: The -- the
11 specification of what the -- the additional funding
12 would be and how that would vary based upon specific
13 criteria was not part of the collaborative process.
14 The need to have a second level of benefit was part of
15 the collaborative process.

16 MR. GEORGE ORLE: Okay.

17 MR. ROGER COLTON: Yeah. Was that
18 distinction that I was trying to make clear?

19 MR. GEORGE ORLE: Yes. And -- and I'll
20 -- I'll just follow that up. The -- the element of
21 having secondary funding for First Nations and Metis
22 consumers, that would have been something that was
23 discussed by all of the participants. And the decision
24 to have a second level would have been either part of
25 the collaborative decision or part of the decision that

1 was unmediated.

2 So I -- I guess what I should say is:
3 Was this secondary level mandated by someone outside of
4 the collaborative process?

5 MR. ROGER COLTON: No, the -- the need
6 for the secondary level was surfaced by the
7 collaborative process. What the specific secondary
8 level was, was up to the board -- was up to the OEB sta
9 -- the Ontario Energy Board staff, but the need for the
10 secondary level was -- surfaced within the
11 collaborative process.

12 MR. GEORGE ORLE: Okay. And in your
13 experience over the years, have you ever had a
14 situation where there has had to be, say, an interim
15 proposal to take effect pending the collaborative
16 process? And -- and I'm thinking of a situation such
17 as what we have in Manitoba, where -- where there's an
18 application for an immediate increase that's going to
19 have a significant effect, but that the mediating
20 effect may not be apparent for at least a year or more.

21 Have there ever been discussions, or --
22 or some solution to how we deal with that interim
23 period?

24 MR. ROGER COLTON: Yeah, there are
25 probably more types of responses than we could

1 reasonably discuss. But the notion of having a -- an
2 immediate response and then having an extended
3 conversation through a collaborative process is -- is a
4 process that has occurred.

5 MR. GEORGE ORLE: Okay. So that's not
6 an unknown in -- in terms of dealing with these sorts
7 of problems?

8 MR. ROGER COLTON: I -- I agree. That
9 process is not unknown in dealing with these problems.

10 MR. GEORGE ORLE: Okay. And I -- I
11 don't want -- mean to put you on the spot, but given
12 the analysis that you've already done of the -- the
13 Manitoba situation, could you think of any one (1) of
14 these interim processes that might be appropriate for
15 Manitoba?

16 MR. ROGER COLTON: To be perfectly
17 honest, I -- I haven't thought about an interim
18 program. I think that it would be possible to develop
19 an immediate interim program -- or an immediate interim
20 response, but I wouldn't want to do that off the top of
21 my head.

22 MR. GEORGE ORLE: Okay. Fair enough.
23 Thank you very much, sir. That's all the questions I
24 have for the witness.

25 THE CHAIRPERSON: To the point we've

1 just been talking about, how would you -- how -- how on
2 Earth would you establish an interim process without
3 having had any kind of consultations beforehand?

4 MR. ROGER COLTON: Yeah. And -- and
5 that -- that's -- I wouldn't want to proffer an -- an
6 immediate interim intervention, because I had -- so
7 much depends on meeting mutual needs and meeting mutual
8 objectives, and until you've had a conversation about
9 what those mutual needs and mutual objectives are, it
10 would be difficult to come up just off the top of my
11 head with saying, This is what we should do.

12 But doing things -- at the risk of
13 talking too much -- for example, just as an example,
14 one (1) immediate -- one (1) analogous thing that's
15 just happened this spring is, I'm working for the City
16 of Flint, Michigan, a very low income city. And I'm
17 working with the City on their water issues.

18 The -- the immediate intervention was
19 for the City of Flint to start waiving late payment
20 charges, and it was just sort of universally accepted
21 that -- to low-income folks. It was just sort of
22 universally accepted that that was something that the
23 City could be doing that would have some impact. Not a
24 big impact, but, you know, it just -- it was an
25 immediate thing to do.

1 I don't -- I don't know what sort of
2 proposal I would make for Manitoba Hydro along those
3 lines.

4 THE CHAIRPERSON: The one dollar (\$1)
5 charge, that incremental charge applicable to
6 ratepayers in Ontario, was that net of the reduced
7 collection charges?

8 MR. ROGER COLTON: No.

9 THE CHAIRPERSON: So it would have been
10 just described as a one dollar (\$1) incremental, but
11 disregarded whatever savings might have occurred on the
12 debt collection?

13 MR. ROGER COLTON: Yes, because the --
14 the one dollar (\$1) charge is -- is charged, but the
15 savings tend to show up in a general rate case in the -
16 - in the calculation of revenue requirement. You may
17 have reduced uncollectibles. You may have reduced
18 revenue requirement.

19 So the reductions really show up in a
20 revenue requirement that is lower than it otherwise
21 would be. So -- so the one dollar (\$1) is not net.

22 THE CHAIRPERSON: Thank you. I'll call
23 on Mr. Masi on behalf of the Manitoba Metis Federation.
24 Mr. Masi, please.

25 MR. TOMAS MASI: Thank you, Mr.

1 Chairman.

2

3 CROSS-EXAMINATION BY MR. TOMAS MASI:

4 MR. TOMAS MASI: In light of the
5 questions today of the Board as well as counsel for the
6 Intervenors I can advise that I only have a few
7 questions for Mr. Colton that do not otherwise overlap
8 with the questions that have already been asked. So I
9 -- I won't be very long.

10 Mr. Colton, do you agree that the rate
11 of change in rates is at least as important to
12 customers as the absolute level of rates?

13 MR. ROGER COLTON: To low-income
14 customers?

15 MR. TOMAS MASI: That's correct.

16 MR. ROGER COLTON: I agree with that.

17 MR. TOMAS MASI: So from a lower-income
18 customer's perspective his or her particular level of
19 income -- the lower that income is it would be more
20 difficult to deal with a rate increase, for instance?

21 MR. ROGER COLTON: I absolutely agree
22 with that, yes.

23 MR. TOMAS MASI: In response to a
24 question by the -- by the Board, Question 31 to you, I
25 believe you stated in -- that:

1 "In setting a measure of eligibility
2 for a bill affordability program, it
3 is a fallacy to believe that
4 increasing income eligibility in the
5 program will correspondingly --
6 correspondingly and proportionately
7 increase program participation and, I
8 presume, costs."

9 Can you further elaborate on this
10 comment that you made?

11 MR. ROGER COLTON: Yes. Let me talk
12 for just a moment about some analysis I did in Ontario.
13 One (1) of the questions in Ontario is whether the
14 eligibility should be set at 100 percent of after-tax
15 LICO, or at a -- a multiplier of after-tax LICO. And
16 the analysis I found was that even at 100 percent of
17 LICO the income at 100 percent of LICO was sufficiently
18 high that the -- an affordability percentage times the
19 income would yield an affordable bill that was higher
20 than typical average bills.

21 And so it really doesn't -- didn't make
22 any difference whether the maximum income eligibility
23 was set at 100 percent of LICO or 115 percent or 125
24 percent because when incomes were sufficient -- were
25 that high then you -- you were expanding eligibility,

1 but you weren't really expanding program participation.
2 It's one (1) of the reasons why -- why I'm asked
3 sometimes whether I prefer an eligibility based on LICO
4 or an eligibility based on LIM, the low-income measure.

5 And I -- I really -- indifferent, it
6 doesn't really capture it. But I really think that
7 that mischaracterizes the question because it's not
8 where you stand relative to LIC -- it's not where your
9 income stands relative to LICO or where your income
10 stands relative to LIM that's the difference. The --
11 the difference is at what point can we assume because
12 your bills exceed an affordable percentage of income
13 that you're going to be in a payment troubled status.
14 And that income would be what it is whether it's 50
15 percent of LIM or 115 percent of LICO.

16 MR. TOMAS MASI: I see. Thank you for
17 that explanation. In your written testimony you
18 discussed the difficult economic plight of Hydro's low-
19 income customers and the difficulty they have in paying
20 their Hydro bills.

21 Would you agree that this plight is
22 especially difficult for Hydro's rural all-electric
23 customers?

24 MR. ROGER COLTON: Absolutely.

25 MR. TOMAS MASI: In terms of the bill

1 affordability programs you've been involved in creating
2 or reviewing can you advise how common it is for an
3 annual budget or CAP to be set in terms of the amount
4 spent on -- on such a program?

5 MR. ROGER COLTON: Well, there are --
6 there are two (2) ways in which a CAP can be -- well,
7 actually there are three (3) ways that a CAP can be
8 spent. One (1) is what the state of Colorado did which
9 is to say that the program cost cannot exceed a
10 prescribed cost per kW.h. So they set it on a per unit
11 of energy basis. In the state of Maine -- the state of
12 Maine said that the program cost cannot exceed a
13 percentage of jurisdictional revenues. And Maine said
14 .5 percent of revenues.

15 What the state of Pennsylv --
16 Pennsylvania does is to not do it on a service
17 territory or a company -- by-company basis, or rather
18 does it on a customer-by-customer basis.

19 So a customer who participates in the
20 CAP -- in the Pennsylvania Customer Assistance Program
21 is eligible for rate affordability assistance, but that
22 rate affordability assistance may not exceed eight
23 hundred and eighty dollars (\$880) on an annual basis,
24 or may not exceed -- if we move to heating customers,
25 may not exceed seventeen hundred and sixty dollars

1 (\$1,760).

2 So they don't cap the -- they don't put
3 a ceiling on the company expenditures, but they put a
4 ceiling on the per-customer expenditure.

5 MR. TOMAS MASI: Have you ever seen it
6 where a budget is set like on a company expenditure
7 basis? Like for instance, the -- a bill affordability
8 program will cost at most \$30 million in a --

9 MR. ROGER COLTON: No.

10 MR. TOMAS MASI: -- particular year.

11 MR. ROGER COLTON: No, it's -- one
12 wouldn't do that, because prices go up. And Manitoba
13 Hydro would be a -- a good example that prices go up,
14 the need for the program goes up, the expenditures are
15 -- are probably going to go up accordingly. And so you
16 -- rather than setting a fixed dollar amount as a
17 company ceiling, you would want to set a ceiling on a
18 percentage of revenue, or on a per unit of energy
19 basis, or on a per customer bas -- the one dollar (\$1)
20 per customer.

21 MR. TOMAS MASI: Right. Well --

22 MR. ROGER COLTON: Or a dollar fifty
23 (\$1.50) per customer, or whatever.

24 MR. TOMAS MASI: Thank you. What I
25 meant was that the global amount that would be set as a

1 budget would be set annually, so -- so year to year it
2 might change.

3 You -- you haven't seen that?

4 MR. ROGER COLTON: I have -- I have not
5 seen that ever done.

6 MR. TOMAS MASI: Okay. Thank you, Mr.
7 Chairman, those are my questions.

8 THE CHAIRPERSON: Thank you, Mr. Masi.
9 Ms. Fernand -- Fernandes, it's your turn now. Thank
10 you.

11 MS. ODETTE FERNANDES: Thank you very
12 much, Mr. Chairman, Board members.

13

14 CROSS-EXAMINATION BY MS. ODETTE FERNANDES:

15 MS. ODETTE FERNANDES: Good afternoon,
16 Mr. Colton.

17 MR. ROGER COLTON: Good afternoon.

18 MS. ODETTE FERNANDES: Just before
19 lunch, and I believe Mr. Simonsen has been provided
20 these documents as well, Manitoba Hydro has just put
21 together a very brief book of documents. And then
22 unfortunately I -- as a result of a printing error
23 there was one (1) page missed from the Ontario Energy
24 Board Report and that's page 25. And I've provided
25 that to Mr. Gange as well.

1 And my understanding is that there's no
2 issues with respect to either of these documents. Is
3 that correct?

4 MR. ROGER COLTON: I'm -- I'm not sure
5 what you mean by -- I don't know what Tab B is, but --

6 MS. ODETTE FERNANDES: In --

7 MR. ROGER COLTON: -- Tab --

8 MS. ODETTE FERNANDES: -- terms of
9 posing questions.

10 MR. ROGER COLTON: Oh, I --

11 MS. ODETTE FERNANDES: Okay.

12 MR. ROGER COLTON: Yes, ask away.

13 MS. ODETTE FERNANDES: And then for the
14 record, I believe, Mr. Simonsen, that would be Manitoba
15 Hydro Exhibit number 73.

16 MR. KURT SIMONSEN: That's correct.

17 Thank you.

18

19 --- EXHIBIT NO. MH-73: Book of documents

20

21 CONTINUED BY MS. ODETTE FERNANDES:

22 MS. ODETTE FERNANDES: Now, Mr. Colton,
23 earlier this morning I believe you indicated that you
24 were involved in a request for a rate affordability
25 program in Nova Scotia.

1 Is that correct?

2 MR. ROGER COLTON: I was.

3 MS. ODETTE FERNANDES: And in terms of
4 your awareness of what occurred in Nova Scotia, would
5 you agree that the -- that in that case the utility and
6 Review Board declined to implement a rate affordability
7 program on the grounds that the legislation did not
8 provide them the authority?

9 MR. ROGER COLTON: I am aware of that.

10 MS. ODETTE FERNANDES: And you're aware
11 that the court -- court in Nova Scotia agreed with the
12 determination of the Board?

13 MR. ROGER COLTON: I'm aware of the
14 court didn't choose to overturn the finding of the
15 Board.

16 MS. ODETTE FERNANDES: Yes. Thank you.
17 In terms of the Ontario Electricity Support Program,
18 you're familiar -- I believe you've confirmed that
19 you're familiar with what has occurred in Ontario as a
20 result of your involvement in the collaborative process
21 there?

22 MR. ROGER COLTON: I'm familiar with
23 the Ontario collaborative proce -- I was involved with
24 the Ontario collaborative process as a consultant to
25 one (1) of the participants.

1 MS. ODETTE FERNANDES: Yes. And in
2 that case would you agree with me that the Minister of
3 Energy established the fundamental policy decision of
4 whether there should be a bill assistance program in
5 Ontario?

6 MR. ROGER COLTON: I agree with that.

7 MS. ODETTE FERNANDES: And, in fact, I
8 believe it was in about April of 2014 the Minister of
9 Energy asked the Ontario Energy Board to recommend an
10 option for delivering an ongoing ratepayer funded bill
11 assistance program?

12 MR. ROGER COLTON: I think the Minister
13 did more than ask. I think the Minister directed the
14 OEB.

15 MS. ODETTE FERNANDES: Yes. And the --
16 then the minister did that pursuant to a section in the
17 Ontario Energy Board Act.

18 You're aware of that?

19 MR. ROGER COLTON: I'm not sure what he
20 was -- what authority he was acting on.

21 MS. ODETTE FERNANDES: Okay. Now, the
22 Ontario Energy Board developed a preferred option to
23 recommend to the minister.

24 And then the minister accepted that
25 recommendation, correct?

1 MR. ROGER COLTON: I agree with that.

2 MS. ODETTE FERNANDES: Now, I believe,
3 as you discussed with Mr. Orle, as part of the
4 preparation of their report, the OEB consulted with a
5 number of social agencies, utilities, low income
6 advocates, First Nations and Metis communities.

7 That's correct?

8 MR. ROGER COLTON: I agree with that.

9 MS. ODETTE FERNANDES: And they also
10 consulted with some government departments, as well?

11 MR. ROGER COLTON: They did.

12 MS. ODETTE FERNANDES: Okay. And you
13 would agree with me that a consultation process should
14 include all of these agencies and individuals?

15 MR. ROGER COLTON: Should include all?
16 I suppose there would be a political benefit to
17 including every one. But I think that I would agree
18 that all of those perspectives should be included in a
19 -- in the conversation.

20 MS. ODETTE FERNANDES: And any program
21 which is designed would benefit from the coordination
22 and integration with other social assistance programs
23 and services offered to the same customers who would be
24 targeted for a rate affordability program?

25 MR. ROGER COLTON: Can you repeat that?

1 MS. ODETTE FERNANDES: So any program
2 that's designed would benefit from the coordination and
3 integration of services and assistance programs that
4 are targeted to the same customers that would benefit
5 from a rate affordability program?

6 MR. ROGER COLTON: Absolutely.

7 MS. ODETTE FERNANDES: Now, you've
8 acknowledged that the Ontario program would be
9 ratepayer funded. Now, as part of the preparation of
10 their report, the Ontario Energy Board, are you aware
11 that they -- they engaged a survey group to conduct a
12 survey of Ontario ratepayers to gauge the public
13 support --

14 MR. ROGER COLTON: I am.

15 MS. ODETTE FERNANDES: -- for the
16 objectives?

17 MR. ROGER COLTON: Yes, I am aware that
18 they did that.

19 THE CHAIRPERSON: It was also linked to
20 an announcement of the elimination of the deferred
21 energy charge for Ontario ratepayers.

22 MR. ROGER COLTON: It was.

23 THE CHAIRPERSON: But were those two
24 (2) necessarily linked? Was it an outcome of a
25 collaborative process or was it simply a political

1 decision to -- to announce it at the same time?

2 MR. ROGER COLTON: I think, to -- to
3 the ex -- I don't -- I wouldn't hold myself out as
4 speaking for the minister. But my impression as an
5 outsider was that that was very much part of the
6 political equation, with my disclaimer.

7

8 CONTINUED BY MS. ODETTE FERNANDES:

9 MS. ODETTE FERNANDES: Now, just on the
10 separate sheet that wasn't included in the package,
11 I'll just take you down to the very last paragraph.

12

13 (BRIEF PAUSE)

14

15 MS. ODETTE FERNANDES: Yeah, just --
16 thank you. So as part of their report, the Ontario
17 Energy Board indicated that they believed that there
18 would need to be a legislative change as the board did
19 not believe they had the authority to set a provincial
20 charge for this type of program and to establish the
21 rules for funds to be disbursed to the distributors,
22 correct?

23 MR. ROGER COLTON: This is what the
24 board said, yes.

25 MS. ODETTE FERNANDES: And I believe

1 you indicated this morning that the Ontario Government
2 has indicated that it is developing legislation or has
3 developed legislation to support the impleme --
4 implementation of this program?

5 MR. ROGER COLTON: Whether or not I
6 said that this morning, I believe that to be the case.

7 MS. ODETTE FERNANDES: Thank you.

8 MR. ROGER COLTON: I'm not sure the
9 minister agrees with the board's conclusion.

10 MS. ODETTE FERNANDES: But they are
11 going to be implementing legislation?

12 MR. ROGER COLTON: There is -- and
13 there is an impleme -- implementation task force that
14 is currently meeting irrespective of whether any
15 legislation is passed. There is an expectation that --
16 that this program will be on the streets on January 1
17 of 2016.

18 MS. ODETTE FERNANDES: Thank you. Now,
19 in your report you contend that Manitoba Hydro is
20 experiencing a significant and continuing deterioration
21 in customer payment performance, correct?

22 MR. ROGER COLTON: I agree with that,
23 yes.

24 MS. ODETTE FERNANDES: And would you
25 agree with me that below normal temperatures would lead

1 to higher energy consumption?

2 MR. ROGER COLTON: Below normal
3 temperatures would lead to higher energy consumption?
4 Yes, I would agree.

5 MS. ODETTE FERNANDES: Okay. And
6 higher energy consumption would then lead to higher
7 than normal customer bills?

8 MR. ROGER COLTON: I agree with that.

9 MS. ODETTE FERNANDES: And so when
10 you're comparing results -- when you're comparing
11 results of a relatively warmer year to a relatively
12 colder year that could lead to a -- a potentially
13 misleading result or conclusion?

14 MR. ROGER COLTON: I -- I don't agree
15 with that -- that next step that you take, no.

16 MS. ODETTE FERNANDES: So if you're
17 comparing a year where temperatures were persistently
18 colder than nor -- normal to a year where temperatures
19 were warmer than normal there might not be a little bit
20 of mis -- there might -- it might not be mislead --
21 sorry.

22 It might not lead to a conclusion that's
23 not quite reflective of a situation?

24 MR. ROGER COLTON: I agree that in a
25 colder than -- let's say we're talking about a colder

1 than normal temperature year that customers who can
2 afford to pay their bills will continue to pay their
3 bills even if they receive a -- a higher bill. That
4 people who cannot afford their bills will respond to an
5 increase in their bill by having an increase in their
6 arrearages and their payment difficulties.

7 The driving factor, however, is not the
8 colder than normal temperature. It's the underlying
9 inability to pay that when you have an ability to pay
10 it -- even if bills go up the -- there will be no
11 impact on arrears because you will continue to -- to
12 have a payment coverage -- a high payment coverage. So
13 I -- I disagree with the last step in your analysis.

14 MS. ODETTE FERNANDES: If you have a --
15 a colder winter than normal and your bills are higher
16 that would result in a -- a higher inability to pay?

17 MR. ROGER COLTON: I -- I would agree
18 with -- I would agree with that that if I can afford to
19 pay sixty dollars (\$60) and my bill -- my typical bill
20 is seventy dollars (\$70) there's a ten dollar (\$10)
21 inability to pay. I'm making up numbers here. And if
22 I can afford to pay sixty dollars (\$60) and because of
23 a cold winter I have a ninety dollar (\$90) bill then I
24 have a bigger -- I have a bigger arrears because of my
25 inability to pay.

1 (BRIEF PAUSE)

2

3 MS. ODETTE FERNANDES: So if the bills
4 go up and the customer can't pay then the amount of the
5 arrears goes up as well, correct?

6 MR. ROGER COLTON: Re -- repeat that
7 again.

8 MS. ODETTE FERNANDES: If the bills go
9 up because of the colder winter and the customer still
10 isn't able to pay then the amount of the actual arrears
11 goes up as well?

12 MR. ROGER COLTON: I -- I agree. If
13 you assume an ability to pay with which to begin. If
14 the bill goes up then -- and the ability to pay stays
15 the same then your arrearages will go up. If you
16 assume an ability to pay then the bill -- having the
17 bills go up will have no impact on your arrearages or
18 any other collection metric.

19 MS. ODETTE FERNANDES: I'm not sure if
20 you reviewed Manitoba Hydro's presentation that was I
21 think delivered on Monday.

22 It was our DSM rates presentation?

23 MR. ROGER COLTON: No.

24 MS. ODETTE FERNANDES: Okay. If we
25 could bring up Manitoba Hydro Exhibit number 67 please.

1 (BRIEF PAUSE)

2

3 MS. ODETTE FERNANDES: And we're
4 looking at slide 8. Sorry, slide 8. Thank you. Now,
5 this slide shows the monthly arrears in each of the
6 last five (5) years.

7 Now, would you agree with me that
8 throughout the months depicted on this chart, this
9 graph shows variations in the seasons and the months?

10 MR. ROGER COLTON: This chart does show
11 a seasonal variation, yes.

12 MS. ODETTE FERNANDES: And overall --
13 the slide shows an overall improvement in payment
14 performance in the last five (5) years?

15 MR. ROGER COLTON: It shows the
16 percentage of electric accounts receivable greater than
17 sixty (60) days in arrears is at a low point -- or is
18 equal to 2013, and is at a low point relative to 2012,
19 '11, and '10, yes.

20 MS. ODETTE FERNANDES: And then if we
21 turn to slide 9, with respect to writeoffs for bad
22 debts, this graph shows the last ten (10) years of
23 writeoff experience and expresses it as a percentage of
24 the previous year's general consumer -- consumer
25 revenue.

1 You see that?

2 MR. ROGER COLTON: That's what this
3 slide says, yes.

4 MS. ODETTE FERNANDES: And subject --
5 would you agree with me that for the first five (5)
6 years the general trend for writeoffs of bad debt is a
7 quarter of 1 percent of the pervious general consumer's
8 revenue?

9 MR. ROGER COLTON: That's what this
10 slide says, yes.

11 MS. ODETTE FERNANDES: And then for the
12 following five (5) years, the general trend for
13 writeoffs of bad debt is an average of point-two (.2)
14 percent?

15 MR. ROGER COLTON: That's -- that's
16 what this slide says, yes. Give or take, yes.

17 MS. ODETTE FERNANDES: Now, this
18 morning you were speaking with Mr. Williams regarding
19 the Pennsylvania Public Utility Commission --
20 Commission Report?

21 MR. ROGER COLTON: Yes.

22 MS. ODETTE FERNANDES: If I could get
23 that brought up, please?

24

25 (BRIEF PAUSE)

1 MS. ODETTE FERNANDES: Thank you. If
2 we go to page 72? Now, the first chart on the top of
3 the page there is Appendix 24, 2013 collection cost as
4 a percentage of billings.

5 You see that?

6 MR. ROGER COLTON: I do.

7 MS. ODETTE FERNANDES: Okay. Now, if
8 we take the total 2013 collection operating expenses
9 for all the utilities and add the 2013 gross writeoffs
10 for all the utilities, subject to check would you agree
11 with me that's -- that's about \$210 million? That's
12 for the total collection cost without the universal
13 programs.

14 MR. ROGER COLTON: Yes, I agree with
15 that. Eighty-two point nine (82.9) plus one twenty-six
16 point eight (126.8), a hundred and ten (110) roughly.

17 MS. ODETTE FERNANDES: Two hundred and
18 ten (210)?

19 MR. ROGER COLTON: Two hundred and ten
20 (210). Two hundred and ten (210). That's why they
21 don't let me work with numbers.

22 MS. ODETTE FERNANDES: Me neither.
23 Now, the 2013 billings you'll see is just over \$6
24 billion?

25 MR. ROGER COLTON: I see that, six-

1 point-three (6.3).

2 MS. ODETTE FERNANDES: Now, if we do a
3 calculation regarding collection costs as a percentage
4 of billings would you agree with me, subject to check,
5 that the percentage would be about 3.34 percent?

6 MR. ROGER COLTON: So you're asking
7 whether the 210 million is 3.34 percent --

8 MS. ODETTE FERNANDES: Of 6 billion.

9 MR. ROGER COLTON: -- of 6.3 billion?
10 I would agree with that, subject to check.

11

12 (BRIEF PAUSE)

13

14 MS. ODETTE FERNANDES: Now, for
15 Manitoba Hydro would you accept, subject to check, that
16 the total collection costs for Hydro is about \$8.2
17 million?

18 MR. ROGER COLTON: I would have no
19 basis to agree or disagree with that.

20

21 (BRIEF PAUSE)

22

23 THE CHAIRPERSON: What -- what year are
24 you talking of?

25 MS. ODETTE FERNANDES: 2014 residential

1 results.

2

3

(BRIEF PAUSE)

4

5 MS. ODETTE FERNANDES: Maybe what I can
6 do is I'll walk you through the numbers and then tell
7 you where we can find them, and then if you -- if
8 you'll accept them subject to check. And then if
9 there's -- if you find any discrepancies you can come
10 back and let me know? If that works?

11 MR. ROGER COLTON: Okay. I -- if
12 that's the accepted process, obviously I would do that.

13 MS. ODETTE FERNANDES: Okay. So the
14 collection plus we have in MKO/Coalition-I-2(d) at \$6.6
15 million. And then the bad -- the bad debt expense is
16 \$1.6 million. And that number is located at MMF/MH-II-
17 21(b). So that's the total of \$8.25 million.

18 So you'll accept that subject to check?

19 MR. ROGER COLTON: Yes.

20 MS. ODETTE FERNANDES: Okay. And then
21 would you accept, subject to check, that Manitoba
22 Hydro's tot -- total billings are \$623 million, and
23 that number is at GAC/MH-I-7?

24 MR. ROGER COLTON: Yes. Yes, I accept
25 it subject to check.

1 MS. ODETTE FERNANDES: Okay. So if we
2 do that same calculation, Manitoba Hydro's collection
3 costs as a percentage of billings would be 1.32
4 percent.

5 Would you agree with that subject to
6 check?

7 MR. ROGER COLTON: I agree that
8 dividing that number that you just defined by your
9 total revenues as you defined yields that arithmetic
10 result.

11 MS. ODETTE FERNANDES: Okay.

12 MR. ROGER COLTON: I have no basis to
13 agree or disagree on whether that's a comparable number
14 to what we're looking at in Appendix 24.

15 MS. ODETTE FERNANDES: Okay. Thank
16 you. Now, if we take a look at the last page on
17 Manitoba Hydro's book of documents, Exhibit number 73.

18

19 (BRIEF PAUSE)

20

21 MS. ODETTE FERNANDES: Now, Mr. Colton,
22 you confirmed this morning that you participate in the
23 -- participated in the PUB hearings in about 2010 with
24 respect to the general rate application here in
25 Manitoba?

1 MR. ROGER COLTON: Yes.

2 MS. ODETTE FERNANDES: And --

3 MR. ROGER COLTON: Was it 2010? Yes, I
4 accept that.

5 MS. ODETTE FERNANDES: 2010/2011.

6 MR. ROGER COLTON: I accept that.

7 MS. ODETTE FERNANDES: It was a long
8 process, that's all I remember. And then you reviewed
9 similar information regarding customers in arrears at
10 that time as well?

11 MR. ROGER COLTON: I did.

12 MS. ODETTE FERNANDES: Now, would you
13 agree, subject to check, that the average percentage of
14 customers in arrears in 2009 with accounts thirty (30)
15 days or over, which is the big blue bar on the left-
16 hand side is 16.4 percent?

17 MR. ROGER COLTON: I -- I agree with
18 that, subject to check.

19 MS. ODETTE FERNANDES: Okay. And then
20 the red bar, for 2009, the sixty (60) days or over is
21 nine (9) percent, subject to check?

22 MR. ROGER COLTON: Yes.

23 MS. ODETTE FERNANDES: And then if we
24 move down to the green bar, which is ninety (90) days
25 and over, that's 5.1 percent?

1 MR. ROGER COLTON: Okay.

2 MS. ODETTE FERNANDES: Okay.

3 MR. ROGER COLTON: Yes.

4 MS. ODETTE FERNANDES: And then if we
5 move to the years 2012, 2013, and 2014, for the average
6 number of customers in arrears there's a slight change
7 between 2012 to 2014 for accounts thirty (30) days and
8 over, and that's the blue bars again.

9 And that's from 11.7 percent to 12.2
10 percent?

11 MR. ROGER COLTON: Okay.

12 MS. ODETTE FERNANDES: And then if -- I
13 guess, subject to -- to check, you'll agree that
14 there's again, for the accounts sixty (60) days or over
15 there's a slight increase from 5.5 to 5.7 percent --

16 MR. ROGER COLTON: Yes.

17 MS. ODETTE FERNANDES: -- and that's
18 for the average of customers in arrears for ninety (90)
19 days and over. There's no change between 2012 and
20 2014.

21 MR. ROGER COLTON: For sixty (60) days
22 in arrears. The red bar is sixty (60) days.

23 MS. ODETTE FERNANDES: Yes. And --

24 MR. ROGER COLTON: And I agreed with
25 that. There's a slight change upwards --

1 MS. ODETTE FERNANDES: Yes, and then
2 for --

3 MR. ROGER COLTON: -- from 2012 to
4 2014.

5 MS. ODETTE FERNANDES: And then for the
6 ninety (90) days there's no change?

7 MR. ROGER COLTON: Yes.

8 MS. ODETTE FERNANDES: Now, if we turn
9 to slide 12 of your presentation...

10 You entitle it, "The Board Structure of
11 a Collaborative Process," correct?

12 MR. ROGER COLTON: I do.

13 MS. ODETTE FERNANDES: And would you
14 agree with me that generally speaking a collaborative
15 process includes -- includes interested or affected
16 parties getting together with open minds?

17 MR. ROGER COLTON: I think there's more
18 to a collaborative process than that, but I would agree
19 that that's one (1) aspect of it. MS. ODETTE FERNANDES:
20 And another aspect could be building trust in
21 ownership?

22 MR. ROGER COLTON: I think that's part
23 of a collaborative process.

24 MS. ODETTE FERNANDES: And another part
25 could include developing a shared vision?

1 MR. ROGER COLTON: I agree that that's
2 part of a collaborative process.

3 MS. ODETTE FERNANDES: Now, if you turn
4 to slides 21 and 22. Generally speaking, you're asking
5 the PUB to make certain adversarial findings against
6 Manitoba Hydro, and then moving to a collaborative
7 process, correct?

8 MR. ROGER COLTON: I agree that I'm
9 asking the commission -- the Board to make certain
10 findings of fact and that I'm asking the Board to
11 direct the initiation of a collaborative process, yes.

12 MS. ODETTE FERNANDES: And the -- and
13 the findings you're requesting are adversarial towards
14 Manitoba Hydro?

15 MR. ROGER COLTON: That's perspective
16 dependent. I would say they are what they are. That
17 they are neither adversarial or not. They -- they are
18 appropriate given the information that I presented in
19 my direct testimony.

20 MS. ODETTE FERNANDES: And generally
21 speaking, would you agree with me that an arbitration
22 or adjudication process is a process where an
23 arbitrator, for example, reviews evidence and
24 arguments, including reasoning -- reasoning set forth
25 by opposing parties to come to a decision which

1 determines the rights and obligations between the
2 parties?

3 MR. ROGER COLTON: I would agree with
4 that as an arbitration process, yes.

5 MS. ODETTE FERNANDES: So would you
6 agree with me then that what you're proposing is more
7 similar to an arbitration process versus a
8 collaborative process?

9 MR. ROGER COLTON: No, I wouldn't agree
10 with that at all.

11 MS. ODETTE FERNANDES: If we go back to
12 slide 12. So here you outline a process where each
13 party submits speci -- specific hypotheses of potential
14 measures, correct, their own -- their own hypotheses?

15 MR. ROGER COLTON: Yes.

16 MS. ODETTE FERNANDES: And then each
17 party would submit their own structure that they view
18 is -- that they would like discussed?

19 MR. ROGER COLTON: Yes.

20 MS. ODETTE FERNANDES: And then there
21 would be a time limit to discuss each issue?

22 MR. ROGER COLTON: Yes.

23 MS. ODETTE FERNANDES: And then the PUB
24 would adjudicate in the areas of agreement -- of
25 disagreement, correct?

1 MR. ROGER COLTON: Yes.

2 MS. ODETTE FERNANDES: Now, on your --
3 on your last bullet point, you'd agree with me that
4 there would be a limit to the participation?

5 MR. ROGER COLTON: I would agree that
6 there is a limit to the participation to the extent
7 that stakeholders would need to declare their
8 participation at the beginning of the process. That
9 one wouldn't go through the process, and then have
10 stakeholders come in at the last point and -- and
11 initiate their participation without the benefit of
12 prior participation.

13 MS. ODETTE FERNANDES: And so if -- if
14 they didn't start off at the beginning of the process,
15 that could potentially leave a number of stakeholders
16 out of the process?

17 MR. ROGER COLTON: If people chose not
18 to participate in the process, then they would have
19 chosen to stay out of the process, yes.

20 MS. ODETTE FERNANDES: Now, would you
21 agree that a possible outcome of any collaborative
22 process is that the cost benefit analysis from a
23 business perspective is that a rate affordability
24 program is not feasible?

25 MR. ROGER COLTON: I -- I would agree

1 that a potential outcome of a collaborative process
2 would be that stakeholders would agree that -- that an
3 affordability program does not meet mutually agreed
4 upon financial -- financial objectives.

5 (BRIEF PAUSE)

6

7 MS. ODETTE FERNANDES: Mr. Colton, I
8 believe earlier you indicated that for LICO Ontario, it
9 was net after tax? Net income after tax?

10 Is that your understanding?

11 MR. ROGER COLTON: I believe that LICO
12 uses -- that Ontario uses LICO-AT. Yes.

13

14 (BRIEF PAUSE)

15

16 MS. ODETTE FERNANDES: I'm wondering if
17 you can -- if you don't have the answer with you now,
18 can you undertake to confirm whether LICO in Ontario is
19 based on net income or gross income?

20 MR. ROGER COLTON: You would need to
21 define what -- what you're asking. What do you mean
22 "based on net income or gross income"?

23

24 (BRIEF PAUSE)

25

1 MS. ODETTE FERNANDES: I think we're
2 just looking to see whether LICO actually uses income
3 before tax or income after tax.

4 MR. ROGER COLTON: Well, the answer to
5 that is the -- LICO uses both. There is a LICO before
6 tax measure, and there is a LICO after tax measure.
7 Those are two (2) completely separate measures, and you
8 can choose to use one (1), or you can choose to use the
9 other. So there is not a single LICO with either a
10 before or after tax. Those are two (2) completely
11 different measures of low-income status.

12 MS. ODETTE FERNANDES: Can you confirm
13 what's being used with the Ontario program?

14 MR. ROGER COLTON: We will undertake to
15 do that.

16 MR. WILLIAM GANGE: I -- I think, Ms.
17 Fernandes, what we will do is Mr. Colton has already
18 indicated that his -- it is his understanding -- he's -
19 - he's given you his -- his understanding of -- of what
20 is being used. You've challenged that. If -- if there
21 is no -- if there's no change to his answer, the answer
22 will just stand. If the answer needs to be changed,
23 we'll correct that testimony.

24 How is that?

25 MS. ODETTE FERNANDES: That's fine.

1 Thank you.

2 MR. WILLIAM GANGE: Okay. Thank you.

3 MS. ODETTE FERNANDES: Okay. Thank you
4 very much, Mr. Colton. Thank you, Mr. Chairman.

5 THE CHAIRPERSON: Thank you, Ms.
6 Fernandes. I'm looking at the clock. Mr. Hombach, how
7 much time do you think you'll need to address your
8 questions?

9 MR. SVEN HOMBACH: Likely fifteen (15)
10 minutes, or --

11 THE CHAIRPERSON: Okay. Let's keep on
12 going, then.

13

14 CROSS-EXAMINATION BY MR. SVEN HOMBACH:

15 MR. SVEN HOMBACH: Good afternoon, Mr.
16 Colton. My name is Sven Hombach, and I act as counsel
17 to the Public Utilities Board, so I won't represent any
18 specific position, but I would like a few
19 clarifications. And if I'm treading on Mr. Gange's
20 toes by asking some of the questions, I'm sure he'll
21 politely punch you in the ribs.

22 Mr. Colton, Ms. Fernandes, on
23 behalf of Manitoba Hydro, put up a -- a chart that
24 shows the evolution of accounts in arrears. The
25 reference that I have is page 38 of Manitoba Hydro's

1 rebuttal evidence. Maybe we could put that up on the
2 screen?

3 Is it fair to say that it's unrealistic
4 to expect arrearage to ever be at zero?

5 MR. ROGER COLTON: Yes.

6 MR. SVEN HOMBACH: What do you consider
7 to be an appropriate percentage of arrears in account?

8

9 (BRIEF PAUSE)

10

11 MR. ROGER COLTON: The -- there's no -
12 - there -- there really isn't a simple answer to that.
13 You know, off -- at -- at the grossest level, if -- if
14 15 to 20 percent of residential rev -- revenues were in
15 arrears, if -- that -- that wouldn't surprise me. Low
16 income arrears tend to run at twice the level of
17 residential arrears in general, but I say that there's
18 not an easy answer, because it's really not simply the
19 revenues in arrears, but it's the distribution of
20 arrearages, both in terms of absolute dollars and in
21 terms of age -- the age of arrears.

22 So you can have 20 percent of your
23 revenues in -- in arrears, but if you have a higher and
24 higher percentage of those arrearages falling into
25 accounts that have eight hundred (800), a thousand

1 (1,000), fifteen hundred dollars (\$1,500) in arrears,
2 you've got a much bigger problem than if you had 20
3 percent of your accounts in arrears with a higher
4 percentage falling into accounts that are a hundred
5 dollars (\$100) or two hundred dollars (\$200) in
6 arrearages. So --

7 MR. SVEN HOMBACH: So I'm looking at a
8 chart-like Figure 14 in Hydro's rebuttal. You couldn't
9 look at that chart and say, That line should be at 5
10 percent, or, That line should be at 10 percent?

11 MR. ROGER COLTON: No. No, the -- it
12 really -- it really depends on when you look at the
13 over sixty (60) day arrears, well, are you looking at
14 ninety (90) -- ninety (90) plus? What's the mix
15 between sixty (60) to ninety (90), ninety (90) to a
16 hundred and twenty (120), a hundred and twenty (120)
17 and above?

18 What's the -- the mix between accounts
19 that are at fifteen hundred dollars (\$1,500) in
20 arrears, and a thousand dollars (\$1,000) in arrears,
21 and accounts that are one (1) or two hundred dollars
22 (\$200) in arrears? This chart doesn't tell me much of
23 anything.

24 MR. SVEN HOMBACH: The US utilities
25 that you work for, do they have any restrictions on

1 disconnections during the winter months like Manitoba
2 Hydro does?

3 MR. ROGER COLTON: Yes. As a general -
4 - I -- I say that quite -- as a general rule there are
5 cold weather restrictions, and hot weather restrictions
6 in some jurisdictions.

7 MR. SVEN HOMBACH: So you would not
8 expect a policy like that in Manitoba to have a
9 disproportional impact on the statistics that we see?

10 MR. ROGER COLTON: No.

11 MR. SVEN HOMBACH: Could we go to page
12 8 of your presentation, please?

13

14 (BRIEF PAUSE)

15

16 MR. SVEN HOMBACH: You've indicated at
17 page 48 of your report, and we don't need to put that
18 up on the screen, that overall, a utility such as
19 Manitoba Hydro can be expected not only to collect more
20 money through an affordable bill, but to spend less
21 money in the process of collection, and in so doing.

22 Has it been your experience that the
23 absolute collections where these types of programs are
24 set up goes up, or are the only savings to be realized,
25 if any, by reducing the amount of money spent on

1 collections?

2 MR. ROGER COLTON: What my testimony
3 is, is that if you adapt an affordability program, the
4 collection efforts directed toward the affordability
5 program participants will deal -- will decrease. The
6 fact is that most utilities will take the -- the
7 effort, or the resources that they are no longer
8 devoting toward inability-to-pay customers and instead
9 devoting those collection efforts to other customers
10 who are in arrears.

11 No utility that I've ever worked with
12 has -- devotes collection efforts to everybody in -- in
13 arrears, because it's just financially not possible to
14 do that. So let's say that there was a -- a treatment
15 amount without an affordability program of five hundred
16 dollars (\$500) and ninety (90) days in arrears, that
17 anybody who didn't have an arrears of five hundred
18 dollars (\$500) and ninety (90) days old wouldn't --
19 wouldn't receive any collection effort toward them.

20 If there were additional resources that
21 were freed up because of an affordability program, then
22 that treatment amount is probably going to not be five
23 hundred dollars (\$500). It may be four hundred and
24 eighty dollars (\$480) or four hundred and fifty dollars
25 (\$450).

1 So the -- the total resources devoted to
2 collections will remain the same, but the resources
3 that are devoted to the unable to pay will decrease and
4 free up those resources to be directed elsewhere.

5 MR. SVEN HOMBACH: In those instances
6 where you've provided advice in the past, or assisted
7 in the -- the development or implementation of those
8 programs, and have you actually seen the total
9 collected by the utility increased?

10 MR. ROGER COLTON: Yes.

11 MR. SVEN HOMBACH: And I'm talking
12 about total dollar amounts, not --

13 MR. ROGER COLTON: Yes.

14 MR. SVEN HOMBACH: -- total account
15 amounts.

16 MR. ROGER COLTON: Yes, if one
17 distinguishes between, as I've testified one should,
18 between the billed amount and -- so between billings
19 and revenues, then the utilities -- certainly, the
20 utilities that I've done the analysis for have seen a
21 total increase in revenues. A decrease in billings,
22 but an increase in revenues.

23 MR. SVEN HOMBACH: Can you provide,
24 just on a percentage business, the -- the range that
25 you have seen? And if I'm putting you on the spot,

1 perhaps by way of undertaking, you could provide some
2 illustrative examples just in terms of a percentage
3 range.

4 MR. ROGER COLTON: I -- I wouldn't want
5 to do that off the top of my head. I would want to --
6 to do that as an undertaking.

7 MR. SVEN HOMBACH: Mr. Gange, is that
8 acceptable?

9 MR. WILLIAM GANGE: We'll attempt to --
10 to provide that undertaking.

11 MR. ROGER COLTON: That -- that's a
12 doable proposition.

13

14 --- UNDERTAKING NO. 72: GAC to provide examples
15 illustrating a utility's
16 increase in revenue from
17 affordability programs

18

19 CONTINUED BY MR. SVEN HOMBACH:

20 MR. SVEN HOMBACH: As part of your
21 recommendations, you recommend that the Board actually
22 order a collaborative consultation process to take
23 place, and you're aware or you've been made aware of
24 the two (2) jurisdictional challenges that we've seen
25 in Ontario and in Nova Scotia about public utility

1 regulators' ability to order these programs to be set
2 up?

3 MR. WILLIAM GANGE: Mr. Hombach, that -
4 - that is -- you're -- you're now stepping on my toes,
5 and I have little feet in comparison to yours. The --

6 MR. SVEN HOMBACH: And perhaps just to
7 -- to clarify, I -- I wasn't intending to ask his
8 opinion on that issue, but what I wanted to know is
9 whether Mr. Colton is agnostic as to whether this
10 Board's orders a process to be set up, makes a
11 recommendation to the Province of Manitoba that it be
12 set up, or by way of a third option, makes a
13 recommendation to Manitoba Hydro that it be set up.

14 MR. WILLIAM GANGE: I -- I think we're
15 going to plead the agnostic defence on that. It -- it
16 -- the -- the -- it -- it still comes down to a legal
17 question. I -- I would say that I disagree with the
18 premise of the question, because although the Nova
19 Scotia experience was that there was a legal challenge
20 that was -- presented a problem, I don't believe that -
21 - that Ontario, on a legal basis, had a challenge. The
22 -- the challenge was made, and -- and the court, in
23 fact, ruled that the Board did have the jurisdiction to
24 do so.

25 Ms. Fernandes has put to Mr. Colton the

1 information that the Minister stepped in and -- and we
2 have that letter from the Minister. But given the
3 decision of the Ontario Supreme Court, and sub -- which
4 was then subsequently approved by the Ontario Court of
5 Appeal, it's the position of GAC that -- that the
6 Ontario Board had the authority without the input of
7 the Minister. The Minister chose to do what he did.

8 MR. SVEN HOMBACH: I appreciate that
9 answer, Mr. Gange.

10

11 CONTINUED BY MR. SVEN HOMBACH:

12 MR. SVEN HOMBACH: Mr. Colton, would
13 you expect the process to be less effective if it was a
14 recommendation to the province or to Manitoba Hydro as
15 opposed to an order to set it up? MR. ROGER COLTON:
16 Absolutely, it would be less effective. It -- it would
17 be more effective if the Board said, We are directing a
18 collaborative process and we expect the stakeholders to
19 participate as opposed to simply having conversations
20 that would have no accountability back to the board.
21 So was that your question?

22 I think that a --

23 MR. SVEN HOMBACH: It is, but perhaps
24 if you could --

25 MR. ROGER COLTON: -- a conversation

1 without the imprimatur of the board would be less
2 effective than a collaborative that was done with the
3 imprimatur of the board behind it.

4 MR. SVEN HOMBACH: Has that been your -
5 - your experience observing the Ontario process in
6 action?

7 MR. ROGER COLTON: Absolutely, that
8 when the Minister of Energy indicated that there shall
9 be the development of a program, the -- the question
10 that was provided completely changed. And I'm not
11 asking the Manitoba Board to go that far, to say, There
12 shall be an affordability program. All -- all I've
13 recommended is that the Board direct that a
14 collaborative process be initiated and be completed
15 within a time certain.

16 MR. SVEN HOMBACH: And the -- I believe
17 the time period that you indicated in your report was a
18 twelve (12) month time frame.

19 Do you consider that to be realistic or,
20 in your experience, does the process take longer?

21 MR. ROGER COLTON: In -- in my
22 experience, there -- there is no -- no generalizable
23 answer that I recommend a twelve (12) process. But
24 with the PECO process that I talked about in my direct
25 testimony, the commission's initial order was that the

1 process be completed within ninety (90) days. And the
2 process extended -- well, it extended well beyond
3 ninety (90) days.

4 The proce -- as long as the process
5 continued to move forward, the company and the OC --
6 the office of the consumer advocate whom -- for whom I
7 worked would go to -- to the commission and say, We are
8 making progress. It -- it would make no sense to bring
9 it to an end at this point. Give us another sixty (60)
10 days, or give us another ninety (90) days.

11 MR. SVEN HOMBACH: At page 83 of your
12 report you indicate that while the process should be
13 open to all stakeholders, once the process is underway,
14 no additional parties should be able to join. And if I
15 heard you correctly, that is just to have some
16 procedural clarity and ensure that the parties are
17 involved from start to finish.

18 Did I paraphrase it correctly?

19 MR. ROGER COLTON: Yes. And -- and one
20 could define the -- the time period after which new
21 stakeholders would not be allowed, what -- you know, it
22 -- whether you would want it to be day 1, meeting 1.
23 My testimony is simply that there is a purpose to have
24 the -- to having these conversations occur. And part
25 of the purpose is the -- the joint learning. Part of

1 the purpose is the trust building. Part of the purpose
2 is -- is to find out what you believe to be true which
3 isn't true, or what you believe not to be true is, in
4 fact, true.

5 And you can't skip 90 percent of that
6 process, and then come in at the end and -- and be a
7 participant, because you would have missed too much.

8 MR. SVEN HOMBACH: So to be clear,
9 you're not proposing that the process be limited, or
10 you're not suggesting that certain parties be excluded.
11 You just want to ensure that parties are in for the
12 entire duration of the process?

13 MR. ROGER COLTON: That stakeholders
14 declare themselves and participate in the process from
15 -- from the beginning. And again, we could define what
16 the beginning is, whether the beginning is day 1,
17 meeting 1, or whether it's meeting 2 or -- that's
18 subject to definition.

19 MR. SVEN HOMBACH: Lastly, Mr. Colton,
20 when -- when you've done similar work or initiated
21 recommendations to the US clients, are those
22 predominantly regional utilities that don't cover the
23 entire state, or are a lot of them utilities like
24 Manitoba Hydro that are state-owned monopolies that
25 cover the entirety of the jurisdiction?

1 MR. ROGER COLTON: Oh, no. Most
2 utilities -- I tend to work with regulated utilities
3 and within a regulatory process. And most utilities
4 with whom I work are on a sub-state -- sub-state basis.
5 Of course, an increasing number of the utilities are
6 owned by multi-state holding companies, but the -- the
7 operating companies with whom I work are on a sub-state
8 -- their service territories make up a portion of a --
9 of a geographic jurisdiction.

10 MR. SVEN HOMBACH: Does it change your
11 recommendations then, Mr. Colton, that Manitoba Hydro
12 is a provincially owned Crown corporation that operates
13 province-wide where there's much more alignment between
14 let's say the coverage territory that the provincial
15 social services agencies have and that the utility has?

16 MR. ROGER COLTON: No, I would think
17 that that would simply -- I -- I would take a couple of
18 things away from that. One (1) is that it makes it
19 important for the social service -- the public social
20 service providers to be involved or at least consulted
21 in the collaborative process. But having a state-wide
22 jurisdictional coverage would make -- would certainly
23 make life easier in the implement -- the actual on the
24 -- the road implementation of a program such as this.

25 MR. SVEN HOMBACH: In your view could

1 the same objectives that you speak to in your report be
2 realized if the province was making changes to the
3 social services it provided as opposed to the utility
4 itself providing discounts on energy bills?

5 MR. ROGER COLTON: No. The -- if you
6 had -- because if -- if you -- if you had the province
7 making the decision what you would be doing is you
8 would be saying that rate discounts are a social
9 service program designed to address affordability --
10 designed to address poverty. So if you're at or below
11 a hundred percent of LICO we're going to give you a 30
12 percent discount. The response is, Well, but a 30
13 percent discount isn't needed for some people to --
14 because their bills are affordable.

15 And the response of the province would
16 be, Well, we don't care about that. What we're doing
17 is we're providing money to poor people because they're
18 poor. And that is completely at odds with what I've
19 been recommending here. What I've recommended is not
20 to provide money to poor people because they're poor.
21 What I've recommended is to use the combination of bill
22 burdens and poverty as a surrogate for determining
23 where the inability to pay is for payment difficulties
24 and to address that inability to pay in the same way
25 that -- to use the affordability program as a tool in

1 the toolbox to address that inability to pay.

2 Poor people are not receiving money
3 because they're poor. Poor people are receiving bill
4 affordability assistance because we want the bills paid
5 in a timely, complete, regular fashion. That is not
6 the interest of the province. And the province would
7 never have that interest as a providence -- in -- in
8 it's provincial capacity.

9 MR. SVEN HOMBACH: Thank you, Mr.
10 Colton. Those are all my questions. The panel may
11 have some questions of you as well. Mr. Chairman, if
12 the panel does not have any questions I suggest that
13 you call on Mr. Gange to canvass whether or not he
14 anticipates any redirect.

15 THE CHAIRPERSON: I -- I have one (1)
16 question and it's -- and you haven't -- we haven't
17 discussed this at all. But, you know, to some extent
18 arrears can be attributed to a range of factors, not
19 just income and ability to pay. You know, there are
20 other factors that play on -- on the arrears.

21 Can you comment on some of the other
22 factors that influence arrears?

23 MR. ROGER COLTON: Absolutely. Income
24 is -- is one (1) aspect. I believe that the -- that
25 the condition of the housing and therefore the

1 efficiency or ineff -- relative efficiency or
2 inefficiency of the -- the housing would be one. One
3 is the -- not simply the overall level of income but
4 what I would call the fragility of income for some
5 households.

6 We -- I've worked with the -- the
7 working poor as -- as a group of households, and if
8 every -- for the working poor, if everything goes right
9 then they can pay their bills on time on a -- on a
10 regular basis. If something goes wrong, if their kids
11 miss a week of school or if their automobile needs a --
12 needs a repair then their budgets are insufficient to -
13 - to cover that situation.

14 Then there are people who simply won't
15 pay their bills on time, and that's why I've testified
16 that just as an emergency program is necessary but not
17 sufficient standing alone, a bill affordability aspect
18 is necessary but not sufficient standing alone.

19 Credit and collection activities are a
20 necessary component but they're -- they don't -- they
21 don't work as a stand alone because people don't pay
22 their bills for different reasons. And to use only
23 traditional collection activities to respond will
24 ultimately fail.

25 THE CHAIRPERSON: Now, the

1 collaborative process you described, does it make an
2 attempt to encompass more than just income or does it
3 attempt to encompass some of the other factors you've
4 described? So an example would be energy efficiency
5 programs. Emergency assistance.

6 I mean, does it attempt to try to
7 address all of those elements as part of the process?

8 MR. ROGER COLTON: Yes. I speak of a
9 suite of interventions, and the suite of intervention
10 include bill affordability assistance, include
11 emergency assistance. So the working poor household
12 may not need bill affordability assistance, but they
13 may run into the -- the big snow storm where -- I'm
14 from Boston, I think of snow.

15 The -- the big snow storm. Their kids
16 stay home from school. They have to stay home from
17 school. They lose a week of wages. So they may need
18 emergency assistance, an -- an energy efficiency
19 component, and a credit and collection component. You
20 can't have a program where you say, We're going to
21 enroll you in a bill affordability program and you will
22 forever be exempt from utility shut offs. Utility shut
23 offs are a necessary component of the suite of
24 interventions.

25 So those are the four (4) -- if the

1 world were the world according to Roger, the -- the
2 four (4) components of the suite of interventions would
3 be bill affordability assistance, emergency assistance
4 -- five (5) components: emergency assistance, energy
5 efficiency, traditional credit and collection, and then
6 arrearage management, as I talked about earlier this
7 morning.

8 THE CHAIRPERSON: Now, the
9 collaborative process that you described in other
10 jurisdictions, did they have to engage the state-level
11 officials? In other words, I mean, the State -- the
12 state runs a number of programs that attempt to address
13 low-income citizens.

14 And -- and I guess the question is, you
15 know, they would -- were they not a natural participant
16 in this process? Because they have a range of programs
17 that are already in place, and -- and to some extent
18 you'd want them to be harmonized to whatever you're
19 attempting to do to the collaborative -- collaborative
20 process.

21 MR. ROGER COLTON: It -- it may be an
22 indication of a -- of a difference between the
23 provincial delivery of services and a state delivery of
24 services. But as a general rule, the delivery of state
25 public assistance is done through local commun -- local

1 community-based organizations called community action
2 agencies.

3 So you wouldn't have the state-level
4 officials involved but you very much absolutely have
5 the -- the local service delivery agents -- agencies
6 involved in the process.

7 One thing that I found is that it's
8 actually better to have those local service delivery
9 agents -- agencies involved because people who may
10 never go to the -- what would be viewed as the welfare
11 agency would, in fact, go to a community action agency.
12 Would in fact go to a community-based organization.

13 So having the -- but you do want the --
14 the people who are actually involved with the delivery
15 of assistance on a day-to-day basis involved in the
16 process. In the States that's just not at a state-wide
17 level. It's on a more localized basis.

18 THE CHAIRPERSON: Mr. Gange, did you
19 have questions on re-direct?

20 MR. WILLIAM GANGE: No, I -- I will
21 have no re-direct.

22 THE CHAIRPERSON: So with that I think
23 we are done for the day, unless there's some
24 administrative issues to address. I'm not seeing
25 anybody make any comment to that effect, so I -- I will

1 adjourn the proceedings for today. I would like to
2 advise the participants in tomorrow's session that we
3 will be taking an hour for lunch tomorrow, so an
4 extended lunch.

5 I hope that you'll use it wisely. With
6 that, have a good even -- evening and we'll see you
7 tomorrow morning. And, Mr. Colton, thank you very
8 much.

9

10 (WITNESS STANDS DOWN)

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12 --- Upon adjourning at 2:11 p.m.

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14 Certified correct,

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19 Sean Coleman, Mr.

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