**COALITION/AMC I-1**

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| **Tab and Appendix:** | **Evidence of Philip Raphals**<br>**Evidence of Dr. Wayne Simpson** | **Page No. (and line no. if applicable):** | **Page 3-9**<br><br>**Page 4-5** |
| **Topic:** | **LICO-125** | | |
| **Sub Topic:** | | | |
| **Issue:** | **Definition of low-income customers** | | |

**Preamble to IR (If Any):**

The evidence by Mr. Raphals includes a discussion of energy poverty among LICO-125 households.

In Dr. Wayne Simpson's report entitled "Energy Poverty in Manitoba and the Impact of the Proposed Hydro Rate Increase: An Assessment of the Bill Affordability Study in the Manitoba Hydro GRA" dated October 31, 2017, it is stated:

> The Report identifies 142,000 or 30% of Manitoba Hydro customers who have incomes less that 125% of the LICO for large communities. This is a significant proportion of the customer base, but it is somewhat of an overstatement of the low-income customer base because it is based on a LICO that would overstate the cutoff income for both large and small communities. For communities with fewer than 500,000 (everyone outside Winnipeg) the actual LICO would be smaller than the LICO for large communities over 500,000 as shown in Table 1 from Statistics Canada at the end of this document. For Winnipeg itself, the LICO reflects an average cost of living for large Canadian cities that includes Vancouver and Toronto and is much higher (especially when it comes to housing cost) than Winnipeg. In other words, a "made in Manitoba" estimate of low-income households that reflected community size and cost of living,

such as the Market Basket Measure developed by the Government of Canada, would produce a smaller low-income customer base.

**Question:**

a) Please comment on any other definition of low-income customers that you are aware are being used for the purposes of determining eligibility for bill affordability programs and whether these definitions were examined in the preparation of Mr. Raphals' evidence.

b) Please comment on the considerations that should be employed in selecting the definition of low-income customers for the purposes of bill affordability programs.

**RESPONSE:**

a) I read a draft of Dr. Simpson's report the day before submitting mine, and am aware of his critiques of the definition of energy poverty based on LICO-125 definition. I agree with him that a "made in Manitoba" definition would be preferable, and that it would likely result in a smaller number of energy-poor households. It should be noted that this would also reduce the cost of the bill affordability programs discussed in my report.

   However, in preparing my report, I saw no practical alternative but to rely on the analytical framework used by the Working Group.

b) I would agree with Dr. Simpson that the eligibility criteria for bill affordability programs should reflect actual conditions in Manitoba, and that it is important to define these eligibility criteria properly, as an overly broad definition will lead to unnecessarily high program costs.

**COALITION/AMC I-2**

| Tab and Appendix: | Evidence of Philip Raphals | Page No. (and line no. if applicable): | |
|---|---|---|---|
| Topic: | Peer-reviewed literature | | |
| Sub Topic: | | | |
| Issue: | | | |

**Preamble to IR (If Any):**

**Question:**

Please outline the peer-reviewed and other literature reviewed in the preparation of Mr. Raphals' evidence.

**RESPONSE:**

The literature to which I referred directly is identified in the footnotes to my report. As background, I relied on my experience in preparing a review of affordability programs for a working group composed of Hydro-Québec distribution and a number of groups representing low-income consumers in 2001. In preparing that report, I consulted a considerable body of literature, including extensive documentation produced by the National Consumer Law Association in Boston. However, given time constraints and the limited nature of my mandate, I did not attempt to update that research in preparing my report.

**COALITION/AMC I-3**

| Tab and Appendix: | Evidence of Philip Raphals | Page No. (and line no. if applicable): | |
|---|---|---|---|
| Topic: | Consumer Engagement | | |
| Sub Topic: | | | |
| Issue: | | | |

**Preamble to IR (If Any):**

**Question:**

Please outline any consumer engagement conducted in the preparation of Mr. Raphals' evidence.

**RESPONSE:**

I did not undertake any consumer engagement in preparing my report.

**COALITION/AMC I-4**

| Tab and Appendix: | Evidence of Philip Raphals | Page No. (and line no. if applicable): | |
|---|---|---|---|
| **Topic:** | **Funding of bill affordability measures** | | |
| **Sub Topic:** | | | |
| **Issue:** | | | |

**Preamble to IR (If Any):**

On page 16 of the evidence of Mr. Raphals, it is stated:

> That said, there is a broader question to be resolved: Should costs of affordability measures be recovered from the residential class only, or from all of Manitoba Hydro's ratepayers? The difference is material, as the residential class accounts for only 42.5% of the total revenue requirement ($811 million out of $1,910 million 29 ). Thus, if the burden were to be shared among all ratepayers, it would be less than half of the amounts described above.

On page 30 of the evidence of Mr. Philip Raphals, its is stated:

> The bigger question is: is it appropriate for programs that subsidize the cost of serving certain ratepayers to be supported by utilities (i.e. by other ratepayers), or must such programs be supported directly by government (taxpayers)?

**Question:**

Please outline the elements that should be considered in deciding how bill affordability measures are funded (i.e. residential class, utilities / all ratepayers, government / taxpayers).

**RESPONSE:**

There is no hard and fast rule as to how bill affordability programs should be funded. Likely, examples could be found for all the examples mentioned and other combinations as well.

While government-supported programs exist in many jurisdictions, they are of course beyond the jurisdiction of regulators to impose. Thus, from a regulatory perspective, the question is whether additional bill affordability programs are required, beyond any that may have been created by government, and, if so, who should fund them.

While it would be interesting and useful to carry out a survey to determine current practices in the funding of regulator-imposed bill affordability mechanisms, I have not carried out such research.

More generally, I would suggest that the nature of the costs creating the burden is an important – though not necessarily exclusive – determinant in considering who should bear the costs. If, for example, the costs arose from investments in the distribution system, it would be less appropriate to impose the resulting mitigation costs on transmission-connected industrial users, who do not use the distribution system.

A situation of this nature arose in my testimony on behalf of the Innu Nation regarding the 2013 Amended GRA of Newfoundland and Labrador Hydro,[1] where a major rebuild of the distribution system in Labrador City and Wabush led to substantial rate pressure on the Innu community of Sheshatshiu, which derived no benefit whatsoever from the

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[1] Available at http://www.pub.nl.ca/applications/NLH2013GRA-Amended/files/reports/Expert-Report-of-Philip-Raphals-2015-06-23.pdf (page 71).

investment. My recommendation at the time – which was not retained by the Board – was that these costs be assigned directly to the consumers of Lab City and Wabush, through a rate rider – and not to the industrial customers in Labrador.

In the present case, insofar as the Board determines rate pressure results from export-related investments, which benefit all users, it seems to me to be appropriate that the mitigation costs also be shared among all users.