

MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION
GREEN ACTION CENTRE
INTERVENER EVIDENCE INFORMATION REQUESTS
COALITION (HARPER)
NOVEMBER 15, 2017

GAC/COALITION 1

REFERENCE:

The one major drawback to [the GAC] approach is that virtually all customers on the rate will receive the same monthly discount in dollar terms whereas heating requirements (even for the same type of dwelling) vary widely across the province due to variation in climate. (Harper Evidence at 102)

RATIONALE FOR QUESTION:

Understanding position of expert and client.

Question:

- a) Does Mr. Harper have a proposal for varying the credits for heating customers by climate zone?
 - i. If so, please describe that proposal and explain whether it can be implemented without legislative changes.
- b) Would Mr. Harper prefer to have no discounts or credits for heating customers, until some better program can be implemented, rather than implementing the GAC approach?
- c) Would the Coalition prefer to have no discounts or credits for heating customers, until some better program can be implemented, rather than implementing the GAC approach?
- d) What are Mr. Harper's thoughts on the alternative of a modified Percentage of Income Payment Plan (PIPP) that would target low-income customers having a household energy burden exceeding 6% (or other agreed upon threshold) but preserve a conservation incentive by applying a bill credit?

Such an individualized rate could be based on household income already

collected by the Affordable Energy Program and an extrapolation from historic account usage, such as is used in establishing equal payment plans. This alternative is discussed in the Manitoba Hydro Bill Affordability Collaborative Process Report pp. 26-28 (with references to the report appendices), which is Appendix 10.5 of Manitoba Hydro’s filing.

Response:

a) A reasonable approach to varying the credits for heating customers by climate zone would be to set them such that the credit was same per Heating Degree Day (HDD) across all zones. Data is not currently available to apply this approach to any of the rate designs proposed by GAC (per Mr. Chernick’s evidence, Table 6). However, to illustrate the approach using existing data, if the overall design was based on offering an average discount of \$0.02/kWh for a the same number of fixed number of kWh to all electric space heating customers then the discount by heating zone would be calculated as set out in the following table.

Calculation of EH Discount Based on Climate Zone (Average \$0.02/kWh)						
(A)	(B)	(C)	(D)	(E)	(F)	(G)
Zone	HDD	#of	{(B)x(C)}	Average	HDD	Zone
HDD	Mid-	All-Electric		Discount	Weighted	Discount
Range	Point	Customers		per kWh	Discount	Per kWh
7501-8000	7750	0	0			
7001-7500	7250	120	870000	\$0.02	\$0.032	\$3.80
6501-7000	6750	249	1680750	\$0.02	\$0.030	\$7.35
6001-6500	6250	4087	25543750	\$0.02	\$0.027	\$111.66
5501-6000	5750	4008	23046000	\$0.02	\$0.025	\$100.75
5001-5500	5250	8273	43433250	\$0.02	\$0.023	\$189.87
4501-5000	4750	44612	211907000	\$0.02	\$0.021	\$926.35
4201-4500	4350	114624	498614400	\$0.02	\$0.019	\$2,179.68
<4200						
Total		175973	805095150			\$3,519.46
Average Per Customer						\$0.02
Notes:	(C) - per COALITION/MHII-89 b)					
	(F) - Calculated as: \$0.02 x (B) x Total Customers/ {(Column (D) Total)}					

Mr. Harper is not a lawyer and not in a position to offer a formal opinion as to whether offering discounts that vary by climate zone can be implemented

without legislative change. However, as discussed at pages 98-99 of the ECS evidence he believes it is a matter that warrants further investigation.

b) Mr. Harper does not believe that the GAC discount/credit approach can be implemented without further work/effort as discussed in the response to PUB/COALITION-23. Overall, Mr. Harper does not see a significant difference in elapsed time between what would be required to: i) Undertake the additional work such that Manitoba Hydro could return to the Board with a formal proposal for approval of a GAC-type approach and put the necessary processes in place to implement it and ii) Also complete the types of research and further investigation suggested in the ECS evidence (and expanded on in PUB/COALITION 23). One of the main reasons for this view is that much of work additional research suggested by the ECS Evidence would likely be required in any event to properly implement the GAC approach. Examples of complementary activities include:

- Establishing the processes and potentially partners for determining customer eligibility using LICO-125 for a pool of applicants that would likely be orders of magnitude larger than currently manage annually by Manitoba Hydro's Power Smart program;
- Establishing the appropriate discount level. In this regard Mr. Chernick has noted (page 32) that the \$0.04/kWh used in his examples was illustrative and the final level of discount was matter of judgement for the Board. The type of customer/consumer research proposed in the ECS evidence would serve to inform such judgement and, at the same time, explore different alternatives.

The other work/research suggested by Mr. Harper could carry-on simultaneously. Furthermore, any clarification the Board could provide following current proceeding as to what it considers the priority customer segments or preferred approaches would help focus the overall effort and shorten the time required.

To the extent there is a difference in the time required, Mr. Harper believes that it is worth the investment. Rate designs targeting electric space heating and/or low income customers would be "new" for Manitoba. If the Board

decides to approve the implementation such rate designs, it is important for purposes of building and maintaining public support that sufficient thought and care go into initial design and implementation.

- c) The Consumers Coalition will provide its perspective on this issue after it has reviewed direct input from Manitoba consumers and after the evidentiary process for this hearing has concluded. The review of direct input from Manitoba consumers will include a qualitative analysis of the more than 2300 comments forwarded by Manitoba Consumers to the Public Utilities Board as well as direct conversations with consumers and community organizations through a variety of tools including a town hall, stakeholder meetings and focus groups.

The qualitative analysis of the more than 2300 comments provided by Manitoba consumers to the Public Utilities Board should be available to be shared by January, 2017. If the Green Action Centre wishes the qualitative analysis of consumer comments to be provided as a partial response to this information request the Consumers Coalition would be happy to do so.

- d) Mr. Harper does not have a preferred rate design option or a preferred definition for “low income”. Please see the response to COALITION/PUB-23.

Please see the response to PUB/COALITION-22 for an assessment of the Percentage of Income Payment Plan (PIPP) using the framework set out in Mr. Harper’s evidence (page 93).

Please see the evidence prepared for the Consumers Coalition by Dr. Wayne Simpson titled – “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” - for more discussion regarding the definition of energy poverty and low income.

GAC/COALITION 2

Reference:

[A] review of the degree day data flags another issue with respect to the use of alternative rate designs that vary by season, namely the months one might arguably include in defining the “heating season” varies by location. As a result, more detailed consideration of the appropriate definition for the “winter season” would be required. (Harper Evidence at 102)

Rationale for question:

Understanding expert’s concern.

Question:

- a) Please explain which months Mr. Harper “might arguably include in defining the heating season” that are not included in the GAC proposal, and the analysis supporting his argument.
 - i. To the extent those months vary by location, indicate the locations for which Mr. Harper might arguably include particular months.
 - ii. Please provide the number of electric heating customers in each of the climate zones to which Mr. Harper would add heating months.
- b) Please explain why Mr. Harper refers to both the “heating season” and the “winter season,” and how he distinguishes those terms for the purpose of rate design for electric heating customers.
 - i. If Mr. Harper would propose to move some months from the spring or fall to the winter, please identify the months and explain his recommendation.
- c) Does Mr. Harper have a proposal defining the heating season for varying the credits for heating customers by climate zone?
 - i. If so, please describe that proposal and explain whether it can be implemented without legislative changes.

- d) Would Mr. Harper prefer to have no discounts or credits for heating customers, until his “arguable” concerns about the heating months can be resolved, rather than implementing the GAC approach?
- e) Please describe in detail the “more detailed consideration of the appropriate definition for the winter season” that Mr. Harper believes “would be required.”
 - i. Has he undertaken this consideration?
 - ii. Can he undertake this consideration with data available to him, or does he need some additional data?
 - iii. If Mr. Harper cannot or chooses not to undertake this consideration, who does he believe should undertake it, and when should that consideration occur?

Response:

- a) Mr. Harper evidence regarding alternative rate designs was prepared in response to Appendix 9.14 filed by Manitoba Hydro. In that Appendix, the GAC materials provided regarding its proposed rate design option did not include a specific definition of what months would be included in the winter season. In its discussion of the GAC proposals, Manitoba Hydro (Appendix 9.14, page 18) used December 1st to March 1st as the definition of winter. It was this definition that formed the basis for the ECS discussion regarding seasonal definitions.

A review of the HDD information by location (see ECS Evidence, page 102) indicates that for the locations listed these three months only capture roughly 45% to 60% of the total heating degree days. It was on this basis that the ECS evidence expressed concern about whether the definition that would be used for the “winter season” would adequately capture the “heating season”.

In his evidence (pages 35-36), Mr. Chernick has defined “winter” as the four months of December through March. This definition largely addresses the concern raised in the ECS evidence as, depending on the location, these months capture 60% to 75% of the total heating degree days.

- i) If the heating season months were to vary by location, then consideration should be given to including April as a “winter” month for the Churchill climate zone (7001-7500 HDD/year), as the April HDD value in this zone is over 800 and the average monthly HDD in the four winter months for many of more southern zones (.e.g.. Brandon (4201-4500 HDD) and Winnipeg (4501-5000 HDD)) average less than 800.

The locations for which monthly HDD values were provided by Manitoba Hydro (COALITION II-89) did not include the 6501-7000 climate zone and so it is not known if a similar issue would exist there or not.

- ii) Based on the information provided in COALITION/MH II-89 there are 120 Electric Heating customers in the 7001-7500 HDD climate zone and 249 in the 6501-7000 HDD climate zone.

b) Please see the response to part (a).

c) Please see the response to GAC/COALITION-1.

d) Please see the response to GAC/COALITION-1

e) Please see the response to part (a) and also PUB/COALITION-23.

GAC/COALITION 3

Reference:

Fairness and Equity	Rates should reflect cost to serve and treat equal customers equally (i.e., same “rates”). Usually judged using COSS principles.	ARD will result in lower “rates” for higher cost to serve customers and situations where similar customers are paying different rates.
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(Harper Evidence at 93)

d. Equity: The programs must treat equals equally and “unequals” proportionately (in other words, program recipients with higher need should receive proportionately more benefit; defining equality usually rests on an income test).

(MH filing - Appendix 10.5 31/242)

Preamble:

In his criticism of Manitoba Hydro’s straw Alternative Rate Design, Mr. Harper cites a cost-based principle of equity in the above table. On the other hand, the Bill Affordability Report cites an income-tested principle of equity.

Rationale for question:

Understanding expert’s views on Fairness and Equity.

Question:

- a) Does Mr. Harper recognize equitable access to affordable energy for the necessities of life as an alternative principle of equity for rate-making? Please elaborate.

- i. E.g. would he consider Manitoba's uniform rates legislation as one example of the application of such a principle?
 - ii. Likewise, would he consider the alternative rate designs for low-income customers in other jurisdictions, as reported in the Bill Affordability Report (24-25/242 of Appendix 10.5), as other examples?
- b) Mr. Harper indicates that more study of alternatives is required before implementing rate relief for low-income customers (Harper Evidence 106). Does he have any potential interim solutions for when the next above-inflationary rate impact occurs?

Response:

- a) Mr. Harper acknowledges that there is more than one way the principle of "equity" can be defined and that "equitable access to affordable energy for the necessities of life" would be one.
- i. Yes, uniform (or postage stamp) rates (i.e., equitable access regardless of geographic location) are another way that "equity principle" could be defined.
 - ii. Mr. Harper does not see the alternative rate designs for low-income customers in other jurisdictions, as reported in the Bill Affordability Report, as alternative examples of the way the "equity principle" could be defined. Rather he considers the alternative rate designs to alternative ways of trying to achieve the equity principle as describe in the question posed in part (a).
- b) Please see the response to GAC/COALITION-1 b).