2017/18 & 2018/19 Manitoba Hydro Electric General Rate Application

Green Action Centre Undertaking #40

Mr. Chernick to provide the basis for his statements at the bottom of slide 9 that realistic estimates would be roughly double Hydro's estimate for transmission and triple Hydro's estimate for distribution.

Response

The marginal transmission cost in $/kWh reported by Manitoba Hydro is stated for a 100% load factor and needs to be divided by load factor to derive the cost per kWh for each class. For the residential class's 51% load factor, that correction doubles the cost per kWh. (The marginal costs for the other classes are higher than their energy charges, even with Hydro's T&D costs.)

The same doubling is applicable to Hydro's distribution cost per kWh for a 100% load factor. As noted on page 25 of Mr. Chernick's testimony, the distribution load growth was overstated by inclusion of load growth of transmission customers, who do not use the distribution system. Mr. Chernick estimates that 85% of Hydro's growth uses the distribution system. Hydro did not improve on that estimate in its rebuttal. Dividing by 0.85 is equivalent to multiplying by 1.176. As explained on page 25 of Mr. Chernick's testimony, the load-related distribution investment needed to cover the load growth in MH's analysis period was 11.7% higher than MH reported, due to improper elimination of costs and projects. In addition, the distribution cost analysis used data for several years for which MH has only limited spending plans. Assuming that the last factor understates the levelized cost by only 20%, the product $2 \times 1.178 \times 1.117 \times 1.2 = 3.15$.