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July 21, 2017

Mr. D. Christle
Secretary and Executive Director
Public Utilities Board
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

Dear Mr. Christle:

RE: MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION – MANITOBA HYDRO’S COMMENTS ON PROPOSED INTERVENER BUDGETS

Manitoba Hydro is in receipt of the proposed budgets for the Consumers Association of Canada (Manitoba)/Winnipeg Harvest (“Coalition”), the Manitoba Industrial Power Users Group (“MIPUG”), the Green Action Centre (“GAC”), the Assembly of Manitoba Chiefs (“AMC”), the Manitoba Keewatinowi Okimakanak (“MKO”), the General Service Small and General Service Medium representatives (“GSS/GSM”), and the Keystone Agricultural Producers (“KAP”) for their participation in the 2017/18 & 2018/19 General Rate Application.

In this letter, Manitoba Hydro has provided general comments with respect to the proposed budgets as well as specific comments on each intervener’s budget.

Manitoba Hydro's general comments with respect to all Intervener Budgets

Manitoba Hydro has prepared a summary comparing the total costs identified in the budgets to the costs for intervention in the last Electric GRA, the 2014 NFAT, and the recent Cost of Service Methodology Review.

Table 1. Comparison of Proposed Budget with Intervener Costs from Previous Proceedings

	<u>2015 Cost of Service</u>			
	<u>2017/18 & 2018/19</u> <u>Electric GRA*</u>	<u>Methodology</u> <u>Review**</u>	<u>2014/15 & 2015/16</u> <u>Electric GRA</u>	<u>2014 NFAT</u>
COALITION	\$ 527,847	\$ 188,854	\$ 218,228	\$ 924,156
MIPUG	\$ 523,120	\$ 272,711		\$ 506,612
GAC	\$ 277,871	\$ 245,262	\$ 105,134	\$ 229,922
MKO	\$ 145,590	\$ 144,705	\$ 73,248	\$ 154,947
MMF			\$ 136,936	\$ 400,100
GSS/GSM	\$ 411,140	\$ 256,624		
City of Winnipeg		\$ 55,187		
KAP	\$ 200,648			
AMC	\$ 148,825			
Total Intervener Costs	\$ 2,235,040	\$ 1,163,344	\$ 533,545	\$ 2,215,737

* COALITION budget represents the mid-point of the range provided \$461,870.85 - \$593,822.67

* MKO budget represents the mid-point of the range provided \$118,560-\$168,720 (plus disbursements of \$1,950)

*GSS/GSM budget includes the mid-point of the range provided \$97,750 - \$102,750 for Legal services, plus contingency of \$17,062.5 and \$293,827 for expert consultant

* KAP budget represents the mid-point of the range provided \$182,770 - \$218,525

** 2015 Cost of Service Methodology Review Intervener Costs applied for by the COALITION, MIPUG, GSS/GSM, City of Winnipeg, PUB- Approved costs for GAC, and budget for MKO.

Based on the above information, the anticipated costs for intervention in the 2017/18 & 2018/19 GRA are expected to be at the same level of those incurred during the 2014 NFAT, almost twice the costs associated with the 2015 Cost of Service Methodology Review, and almost five times the costs associated with the last Electric GRA.

Manitoba Hydro recognizes that the rate increases proposed in its GRA are higher than has been previously advanced by the Corporation for reasons outlined in the Application, and the issuance of Order in Council 92/2017 has expanded the scope of this GRA to include a detailed review of Manitoba Hydro's capital expenditures; however, the issues to be addressed in this GRA, as identified by the PUB in Appendix A to Order 70/17, are not comparable to those considered as part of the NFAT. As such, Manitoba Hydro questions why Intervener costs for the current proceeding need to be in the same order of magnitude as the NFAT which lasted a full year by comparison.

Moreover, the overall budget amount in **Table 1** is not only being driven by the increase in the number of interveners eligible for a cost award, but also by an expanded scope in terms of number of consultants proposed to be engaged by interveners than had been experienced in previous GRAs. In Manitoba Hydro's view, this is contrary to the intent of Order 70/17 to promote a more focused intervention by all parties.

In Order 70/17 (page 23), the PUB indicated that it expects each Intervener to indicate clearly in their budgets and work plans which issue it will take the lead on with support or input from other Interveners, as well as identify common issues where interveners expect to have differing perspectives from that of the lead intervener. The PUB also indicated in Order 70/17 that the oral hearing is intended to be structured by specific topics so that only interveners which were approved for specific topics will be funded for attending the hearing

on the days when these topics would be heard.

Manitoba Hydro notes that five of the seven intervener budgets specifically identified issues on which the intervener would be taking a lead role, collaborating with other interveners or expected to take a differing position from the lead intervener. However, with the exception of KAP and AMC, Manitoba Hydro observes that the majority of interveners have expressed interest on addressing almost all issues. Without having a clear delineation of which interveners would be leading evidence on each specific issue, managing the scope of the proceeding, including the number of Information Requests, will be challenging.

In the table below, Manitoba Hydro has included a summary of the proposed hours for Legal Counsel and Expert Consultant for each of the interveners. Manitoba Hydro notes that proposed Legal Counsel hours are similar across all interveners, which may suggest an overlap of issues to be examined by each party.

Table 2. Proposed Hours for Intervention

Intervener	Legal Hours	Expert Hours
Coalition	504 - 724	1,304 – 1,582*
MIPUG	592	1,475*
GAC	490	484
GSS/GSM	550 - 570	636
MKO	424 - 592	
KAP	290 - 400	348
AMC	412.5	247.5

* The information for Morrison Park is provided in “days”, as opposed to “hours”. Thus, it has been assumed that one day is equivalent to 8 hours. MIPUG is assuming 50% of the costs of Morrison Park; however, the numbers for the Coalition above include 100% hours for Morrison Park.

Manitoba Hydro has observed that some interveners are proposing hourly rates for Expert Consultants that are above the maximum fees in the PUB’s Policy and Billing Rates for Advisory Services (effective January 15, 2016)¹.

While the PUB has indicated that it is reviewing its policies and rules respecting interveners, it seems reasonable to assume that the Interveners would be required to abide by the PUB’s Policy and Billing Rates for Advisory Services² currently in effect, which indicates that the

¹ The hourly rate for Morrison Park (expert for Coalition/MIPUG) would be between \$240-\$416/hour assuming 12 hours worked per day, or \$375-\$625 per hour assuming 8 hours per day. The hourly rate for METSCO would be between \$240-\$260/hr while the PUB fees for engineering experts are currently \$200/hr. The hourly rate assumed by KAP for expert consultants is \$250/hour and \$325/hours for Legal Counsel. AMC assumes \$250/hour for expert consultants, while GSS/GSM includes a blended rate of \$452/hour.

² Available in the PUB’s website at http://www.pubmanitoba.ca/v1/pdf/pandp/advisor_policy_jan5_2016_v2.pdf

maximum fee for Engineering Consultants (with greater than 20 years of experience) is \$200/hour, a maximum fee for Accountants of \$240/hour and \$285/hour for Legal Counsel.

Finally, as a general observation, Manitoba Hydro notes that Order 70/17 (page 24) required interveners to include all applicable taxes in their budgets. It appears that the budgets for a number of the expert consultants do not include GST which, if included, would increase the total costs being sought by Interveners.

Manitoba Hydro's comments with respect to individual Intervenor Budgets

In addition to the general comments provided above, Manitoba Hydro has the following comments and observations with respect to specific Intervener's proposed budget.

COALITION

As part of its budget, the Coalition is including almost \$20,000 related to consumer engagement and a consumer panel (Consumer Engagement - \$11,000; Consumer Panel - \$2,000 - \$5,000; travel and miscellaneous costs - \$4,000)

Manitoba Hydro notes that neither Order 70/17 nor the Issues List attached as Appendix A to the Order, contemplated consumer engagement through focus groups. The PUB did not approve in Order 70/17 the undertaking of focus groups for purpose of this proceeding. In fact, Manitoba Hydro understands that the PUB has been actively engaging with customers through their website and the PUB has already received comments from over 2000 citizens and expect that more individuals will appear at the PUB to make a presentation during the hearings. In Manitoba Hydro's view, the doubling in the number of approved interveners compared to the last GRA will result in a broader representation of customer perspectives throughout the current proceeding such that engagement through focus groups is not required as part of the review of this GRA.

Manitoba Hydro also notes that one of the expert consultants (Dr. Wayne Simpson) is expected to address issues of bill affordability, including undertaking literature review on energy poverty problems and analysis of options. Manitoba Hydro is of the view that any work undertaken by interveners on this front should build on the work already undertaken through the Bill Affordability Collaborative Process.

MIPUG

In Order 70/17, the PUB ruled DSM programming beyond the test years is excluded as that programming will be brought before the PUB by Efficiency Manitoba, and not Manitoba Hydro. Contrary to this ruling, MIPUG indicated at page 3 of its budget that it would take a lead role with regards to DSM "including assumptions and timing of spending in the long-term financial forecasts".

At page 3 of its budget, MIPUG also indicates that it will examine depreciation, specifically,

“testing of Board approved methodology”. This is contrary to the ruling by the in Order 70/17 that the PUB approved depreciation methodology is not an issue for this hearing. Manitoba Hydro confirmed at Tab 10 of its filing and during the Oral Hearings of July 19th that its GRA is consistent with the directives set forth by the PUB in Order 73/15.

Manitoba Hydro notes that MIPUG proposes to engage Gerry Forrest of Forkast Consulting at a total cost of \$14,400. Manitoba Hydro notes that as some of the issues proposed to be addressed by this expert consultant are not part of the issues approved by the PUB for purpose of this proceeding (specifically, Crown utility risk and regulatory principles applicable to ratemaking). As such, Manitoba Hydro is of the view that the services of this Consultant are not be required as part of the current GRA

GAC

As noted in the previous section, in Order 70/17, the PUB indicated that DSM programming beyond the test years is excluded as that programming will be brought before the PUB by Efficiency Manitoba, not Manitoba Hydro. At page 2 of their budget, GAC has indicated that a relevant issue for this proceeding is “DSM policies and planning in relation to implementation of Bill 19, The Efficiency Manitoba Act, which provides for the divestment of DSM to a new crown corporation”. As previously expressed by Manitoba Hydro, the Corporation cannot speak to legislation that is not yet in effect and cannot speak to policies and planning that will be under the purview of another entity.

As indicated in **Table 2**, the budget being proposed by the GAC is higher than the costs claimed for participation in the NFAT. Manitoba Hydro questions why the budget for this Intervener for the current GRA would exceed the costs advanced by GAC for its participation in the NFAT, which was a proceeding that reviewed a multitude of issues that are not being reviewed in this proceeding.

MKO

Manitoba Hydro notes that all costs included in MKO’s budget are related to legal counsel (Total fee range is \$118,560 to \$168,720). MKO has indicated that it will collaborate with other interveners on the issues of interest to the MKO. Interveners such as the Coalition are proposing to address a greater number of issues than the MKO, yet their proposed budget for Legal Counsel is lower than that of MKO (Coalition’s legal counsel is between \$107,730 to \$154,755). As such, Manitoba Hydro is of the view that the MKO’s proposed legal costs may be overstated.

KAP

Manitoba Hydro understood that Interveners were requested to provide a detailed budget and work plan for their participation in the GRA. Manitoba Hydro would like clarification on whether KAP’s preliminary budget for preparation also includes hours for information requests. If that is not the case, then it is expected that their budget will be higher than the

current range provided (\$182,770 to \$218,525).

In Order 70/17, page 25, the PUB indicated that the examination of macro-economic impacts would be restricted to the impact that Manitoba Hydro rate increases will have on the "aggregate" Manitoba provincial economy and which sectors of the economy are particularly at risk. KAP has included expert consultant costs related to a review of the impact of rate increases on public policy priorities including environmental and farm income stability, which is not an issue approved by the PUB.

AMC

Manitoba Hydro notes that AMC did not provide any details with respect to the expert consultant, including area of focus, and AMC has assumed an hourly rate (\$250/hr) higher than the PUB approved rate.

GSS/GSM

GSS/GSM's total expert budget of \$293,827 is the highest for any consultant participating in this review process. The hours are based on an hourly rate for three individuals at London Economics (President charging \$495/hour USD (\$638/hour Cdn); \$295/hour USD (\$380/hour Cdn) for a consultant and \$200/hour USD (\$258/hour Cdn) for a research associate). Manitoba Hydro has raised a concern with the rates being charged by this Intervener's expert consultant throughout the 2015 Cost of Service Methodology Review, and remains concerned that these rates are well beyond those allowable by the PUB, and exceed the costs associated with other experts being retained by other Interveners as part of this process.

GSS/GSM has indicated that London Economics may also provide additional expert/consulting services to other interveners. GSS/GSM did not specifically identify the issues on which it will provide evidence for itself or on behalf of other interveners. In Manitoba Hydro's view, this seems redundant to the expert consultant/services already proposed by other interveners. Further, given the hourly rate for London Economics is significantly above the PUB-approved fees and those of the expert consultants proposed for other interveners, the PUB should consider the cost implications of allowing the GSS/GSM experts to provide evidence on behalf of other interveners.

Manitoba Hydro appreciates the opportunity to provide comments on the proposed intervener budgets. Should you have any questions with respect to this submission, please contact the writer at 204-360-3633 or Greg Barnlund at 204-360-5243.

Yours truly,

MANITOBA HYDRO LAW DIVISION

Per:



for

ODETTE FERNANDES
Barrister & Solicitor

cc: All Approved Interveners
Patti Ramage, Manitoba Hydro
Bob Peters, Board Counsel
Dayna Steinfeld, Board Counsel

Att.