

MH/HELIOS I-1

Reference: Section 6, Summary and Discussion

Preamble to IR (If Any):

At page 36, Mr. Raphals recommends the PUB require Manitoba Hydro to “deepen its research on affordability mechanisms, particularly with regard to on-reserve First Nations communities”.

Question:

Please confirm that Manitoba Hydro cannot deepen its research on affordability mechanisms with respect to on-reserve First Nations communities without the participation of the Assembly of Manitoba Chiefs and First Nations.

RESPONSE:

This Information Request is responded to by the Assembly of Manitoba Chiefs (“AMC”), and not Mr. Raphals, as Mr. Raphals is not an expert on the relationship between Manitoba Hydro and AMC.

AMC rejects the statement set out in Manitoba Hydro’s Question (“MH/HELIOS I-1”), and cannot confirm Manitoba Hydro’s assertion that it “cannot deepen its research on affordability mechanisms with respect to on-reserve First Nations communities without the participation of the Assembly of Manitoba Chiefs and First Nations”

Manitoba Hydro has existing infrastructure, including the Indigenous Energy Advisor and through them, direct links to Band Housing Managers (AMC/MH II-5d) through which it can deepen its research on affordability mechanisms.

AMC represents the interests of Manitoba First Nations, but does not itself provide housing and other infrastructure services on reserve.

AMC also notes that Manitoba Hydro undertook the Customer Satisfaction Tracking Study without the participation of First Nations or AMC. While AMC would appreciate being involved in these processes in deeper and more meaningful ways, it is not the case that Manitoba Hydro's ability to "deepen its research" requires AMC's or the First Nations' participation.

AMC would welcome proposals from Hydro regarding how Hydro and AMC could work more closely on affordability mechanisms.

MH/HELIOS I-2

Reference: Section 1, Page 1

Preamble to IR (If Any):

Mr. Raphals states: "I have been asked by the Assembly of Manitoba Chiefs ("AMC") to review aspects of Manitoba Hydro's General Rate Application (GRA), with particular regard to its impacts on Manitoba's First Nation reserves.

Question:

- a) Please provide a copy of your retainer letter. Please also provide any instructions you received with respect to your retainer.
- b) Please advise which issues regarding your evidence were identified by yourself and/or the Assembly of Manitoba Chiefs.

RESPONSE:

- a) The email exchange between myself and AMC Counsel, Senwung Luk, concerning my engagement is reproduced below.

From: Philip Raphals [<mailto:philip@centrehelios.org>]
Sent: June 1, 2017 5:12 PM
To: Senwung Luk
Cc: Corey Shefman
Subject: RE: Manitoba GRA?

Senwung,

It would be a pleasure to work on this file with you.

I expect to be away for much of the first half of November, but it sounds like that probably won't conflict. I will also have obligations at the Régie de l'énergie, but those dates aren't fixed yet either. I think it safe to assume that the scheduling problems will be manageable.

As to billings, I would like to clarify if my invoices will be paid as submitted (with the intervenor assuming the delay and the risk with respect to cost awards), or if I am being asked to assume all or part of those risks and delays.

Also, I'm a little perplexed by the fee schedule. First, it appears to be for advisors engaged by the Board, and doesn't explicitly state that it also serves as a guide for intervenor expenses (though that may well be the case). Secondly, it only lists fees for lawyers, accountants and engineers. As you know, I don't fit into any of those categories. My usual billing rate (unchanged for several years) is \$250/hr. The caps for accountants and engineers with more than 20 yrs experience are \$240 and \$200, respectively. How do you see this?

Finally, with respect to the issues, the three mentioned by the Grand Chief sound important and relevant. I would need to review the full filing to know if I would recommend adding to or amending that list.

I have attached a draft version of the budget and ID pages of the document you referred to. Please have a look and tell me if you find it reasonable.

I'm available to talk at your convenience tomorrow.

Best regards,

Phil

At 01:23 PM 01/06/2017, Senwung Luk wrote:

Hi Phil,

We just got some information: the PUB says the timelines have not been firmed up yet but they are anticipating late fall (late November – December). They might also do a lot of it by teleconference with a two-way video system.

Let me know what you think.

Senwung

From: Senwung Luk
Sent: June 1, 2017 1:10 PM
To: 'Philip Raphals'
Cc: Corey Shefman
Subject: RE: Manitoba GRA?

Hi Phil,

I just met with Grand Chief Nepinak of the Assembly of Manitoba Chiefs and they would like to go ahead and make an application for intervener status at the MH GRA.

I am wondering whether you would agree to being the expert witness for the intervention?

The issues the Grand Chief has asked us to look at are:

1. Mitigating impacts for low income First Nations residents
2. The reasonableness of high rates on reserve, including the reasonableness of delivery charges
3. The reasonableness of the First Nations education rate

I know I had promised you some more information on the timing of the hearing but I have not been able to reach anyone at the PUB who has this information. I suspect that they have not set hearing dates and may be flexible within certain parameters. I know there is a pre-hearing conference in a couple of weeks and these logistical questions may get settled there.

I would like to finalize our application by end of day tomorrow to meet the PUB's deadline. The application form can be found here:

http://www.pubmanitoba.ca/v1/pdf/pandp/rules_pandp_fill_marr07.pdf

If you are willing to take this on, what I would need are

answers to 9(c), and estimates for your fees and disbursements in Appendix 2. The allowable claim rates for professional services can be found on p5 of this PDF:

http://www.pubmanitoba.ca/v1/pdf/pandp/advisor_policy_jan5_2016_v2.pdf

Can you let me know your availability for this as soon as you are able?

Thanks very much,
Senwung

- b) The specific issues I addressed in my report were those that emerged from my analysis of the evidence filed, focusing primarily on the first of the three issues identified by the Grand Chief.

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:

MH/HELIOS I-3

Reference: Section 3, Page 14

Preamble to IR (If Any):

Table 10 of page 14 identifies the rate impacts to non energy-poor residential customers of the three affordability measures (straight discount, fixed charge waiver, PIPP), would range from 0.15¢/kWh to 0.70¢/kWh for a 6% threshold.

Mr. Raphals indicates at page 14 that "While these impacts are not negligible, they are not so great as to be beyond the bounds of consideration" (p.14).

Question:

Please confirm that a rate impact of 0.15¢/kWh and 0.70¢/kWh would be equivalent to an energy rate increase of 1.8% and 8.5% over the current energy rate for residential customers of \$8.196¢/kWh. Please confirm that this rate increase would be over and above the proposed 7.9% rate increase in Manitoba Hydro's Application.

RESPONSE:

Confirmed.

However, this statement should be read together with my comment that "if the burden were to be shared among all ratepayers, it would be less than half of the amounts described above".

Furthermore, as noted in Coalition/AMC I-1, the use of a "made-in-Manitoba" energy-poverty definition would likely reduce the rate impacts still further.

See also my response to PUB/AMC- 2.

MH/HELIOS I-4

Reference: Section 3, Page 16

Preamble to IR (If Any):

Mr. Raphals states: “Manitoba Hydro’s filing makes clear that the primary driver behind these substantial rate increases is the costs related to the commissioning of two facilities developed primarily (the Keeyask Generating Station) or in part (the BiPole III Reliability Project) for export.... Order 164/16 makes clear, export revenues (and costs) are allocated to all domestic classes based on their share of Generation and Transmission costs.”

Question:

- a) Please provide the qualifications of individuals who reviewed and provided commentary regarding cost of service.
- b) Please confirm that those individuals reviewed Order 164/16 in full.
- c) Please provide specific references to Manitoba Hydro’s Application to support Mr. Raphals conclusion that Bipole III is being developed in part for exports.

RESPONSE:

- a) I did not rely on the assistance of anyone else for review and commentary regarding cost of service. My CV has been filed.
- b) I reviewed Order 164/16 but not in great detail, as the cost of service study was not central to my analysis.
- c) According to a press release on Manitoba Hydro’s website:

It (the Board) also determined that any delay or cancellation of Bipole

III would make it impossible to carry the power from the Keeyask Generating Station that is required to deliver upon committed export contracts.¹

Also from the MH website:

“Bipole III is a high voltage direct current transmission project under construction in Manitoba that will deliver renewable energy to southern Manitoba and the United States, helping to reduce reliance on fossil fuels.”

In the NFAT, the PUB wrote that “Bipole III will enhance reliability for domestic customers and will be used for transmission of Keeyask energy” (page 113).

And from the June 2013 report on the Bipole III Transmission Project of the Manitoba Clean Environment Commission:

The Commission is well aware that the Bipole III Project is very important to the economy of Manitoba, both for risk-avoidance and future energy exports. (page 12)

These references, read together, suggest that Bipole III was developed, in part, for exports.

¹ No choice but to move forward: Manitoba Hydro-Electric Board (September 21, 2016). https://www.hydro.mb.ca/corporate/news_media/news/2016-09-21-no-choice-but-to-move-forward-manitoba-hydro-electric-board.shtml

MH/HELIOS I-5

Reference: Section 3, Page 17
Section6, Page 33

Preamble to IR (If Any):

On page 33, Mr. Raphals acknowledges the PUB's recent direction in Order 164/16 regarding export revenue:

“The Board’s finding that “export revenues are not a ‘dividend’ that can be assigned or based on considerations other than cost causation” refers specifically to the COSS, and not to the ratemaking process.”

However, on page 17, Mr. Raphals states:

“We recommend that the Board consider a full range of options, including sharing the costs of affordability programs among all classes and reserving a portion of export revenues for this purpose.”

Question:

Please clarify how the proposal to reserve a portion of export revenues to support affordability programs would be implemented after the COSS has been finalized. Is this intended to be an explicit after-the-fact adjustment to the results from the COSS, or an implicit consideration when interpreting the results of the study?

RESPONSE:

As I explained in section 3.2.2 of my report, the Board made clear in Order 164/16 that the COSS is just one of the elements it may take into account in setting rates in a GRA.

In PUB/MH I-137a-b, Manitoba Hydro explained eloquently the role of the COSS:

In addition to the cost to serve, the PUB has broad discretion to consider any compelling policy issues or other factors that it regards as relevant to rate setting. While the cost to serve may be a key consideration, the PUB is clearly able to take other factors into account in approving rates it deems just and reasonable. In Order 164/16 the PUB acknowledged that “In setting domestic electricity rates, the Board has discretion as to what, if any, use is made of the COSS.” (page 16).

...

RCCs provide a measure of the cost coverage, as defined by the COSS, against class revenues. The ratios provide some indication of the degree of cross subsidy that may exist among customer classes. However, there may be other compelling policy reasons for the PUB to accept a certain RCC outcome for a customer class, regardless of the cost coverage that has been measured. If the PUB determines that there is sufficient reason to afford one customer class rates that produced more or less than their allocated cost, it has the authority to do so. While class RCCs provide a measure of cost coverage, the PUB ultimately has the authority to take into consideration policy or other factors and find those rates to be just and reasonable, and neither unduly discriminatory nor unduly preferential.

...

The PUB, after considering policy and rate making objectives, may deem rates to be reasonable, even if revenues recover more or less costs that can be targeted to fall within the previous zone of 95-105%. A sufficiently broad Zone of Reasonableness of 90%-110% may be reasonable in light of historical precedence and continuity, ratemaking and policy objectives, the degree of variability in cost allocation methodologies and cost definition and the changing cost structure in future rate applications due to the significant infrastructure investment underway for Manitoba Hydro. (underlining added)

To be clear, I in no way meant to suggest that the COSS methodology adopted in Order 164/16 should be modified, amended or adjusted. Rather, my point was that, after taking cognizance of the COSS, the Board has the jurisdiction and the discretion to assign the costs of a bill affordability program to other ratepayers, whether limited to the residential class or not, based on its appreciation of all of the relevant policy and ratemaking objectives.

MH/HELIOS I-6

Reference: Section 4, Page 18

Preamble to IR (If Any):

Footnote 32 - Reference to Winnipeg Free Press Article

Dylan Robertson, "Reserves gripped by poverty: census", Winnipeg Free Press, October 11, 2017 - The article states that "... the figures are not a full picture of on-reserve incomes. Many of the communities registered so few residents that Statistics Canada had to suppress their data out of concerns for their privacy. The agency plans to provide more robust data at the end of the month as part of its ongoing effort to paint a five-year portrait of the evolving Canadian population."

Question:

- a) Please confirm that the median income is based on 55 communities.
- b) Please confirm that the income figures come from 2015 tax filings.
- c) Did Mr. Raphals review the actual Statistics Canada 2016 Census data or did he rely upon the data results as tabulated by the Canadian Press and reported in the Winnipeg Free Press article?
- d) Has Mr. Raphals reviewed the updated Statistics Canada 2016 Census data released on October 25, 2017?
- e) If the response to part d) is yes, what updates, if any, are there to the information contained in the Winnipeg Free Press article?

RESPONSE:

- a) According to the article, the median income is based on 55 communities.

- b) According to the article, the income figures come from 2015 tax filings.
- c) I have not analyzed the 2016 census data, and so am not able to confirm the conclusions reported by the Canadian Press.
- d) I have reviewed the document “The housing conditions of Aboriginal people in Canada”, released by Statistics Canada on October 25, 2017, as well as *The Daily* of the same date, bearing the title “Aboriginal peoples in Canada: Key results from the 2016 Census”. However, I have not reviewed or analyzed the data tables underlying these documents.
- e) The first document mentioned in my previous response concerns housing conditions, and the second one describes demographic data; neither one describes household income, the subject of the Winnipeg Free Press article. If other elements released by Statistics Canada on October 25, 2017 constitute updates to the information on which that article was based, I am not aware of them.

MH/HELIOS I-7

Reference: Section 6, Page 36

Preamble to IR (If Any):

Mr. Raphals recommends that the PUB require Manitoba Hydro to develop a utility (ratepayer) funded “bill affordability mechanisms.”

Question:

Should customers receiving direct or indirect assistance for electricity costs through social assistance or other programs be eligible for a ratepayer funded “bill affordability mechanisms?” If yes, please elaborate.

RESPONSE:

My report did not attempt to prescribe eligibility conditions for ratepayer funded bill affordability mechanisms. Defining such conditions, and determining the implications of each of the various options, both in terms of costs and of benefits, is an important part of the process of program development.

MH/HELIOS I-8

Reference: Section 4, Page 29
Section 5, Page 33
Section 6, Pages 35 and 36

Question:

For each finding and recommendation referenced and as more fully developed in the body of the report, please identify:

- a) The name and qualifications of each person who worked on each of the findings and recommendations, including a list of the previous projects or proceedings which the individuals participated in related to the topic and his/her role in the project or proceeding;
- b) A list of public reports or evidence provided or prepared by each of these individuals relevant to the findings and recommendations raised in the report;
- c) The time spent by the person or persons who worked on each finding and recommendation.

RESPONSE:

I was solely responsible for developing all findings and recommendations in the report. My CV has been filed. My daily log indicates the time spent preparing my report, but not the time spent on each finding or recommendation.