

**MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION**

**MANITOBA HYDRO**

**INTERVENER EVIDENCE INFORMATION REQUESTS**

**GAC (RESOURCE INSIGHT)**

**NOVEMBER 8, 2017**

**MH/CHERNICK I - 1**

**Reference:**

Section 1

**Preamble:**

Mr. Chernick states: “My testimony is sponsored by Green Action Centre (“GAC”)” and “My sponsors have asked me to review three areas of Hydro’s filings: marginal costs, rate design (considering both efficiency and affordability) and the Cost-of-Service Study.”

**Question:**

Please provide a copy of your retainer letter. Please also provide any instructions you received with respect to your retainer.

**Response:**

Mr. Chernick has no retainer letter from GAC. With each engagement, the client makes clear that it has no means to fund the intervention and compensation is dependent on a PUB award of costs. Specific topics for investigation are explored by email and telephone as information and our joint reflections on the issues unfold.

**MH/CHERNICK I - 2**

**Reference:**

Section IV, pages 7 to 11

**Preamble:**

Mr. Chernick states in his report that Manitoba Hydro has refused to provide its generation estimate broken down by cost component.

Mr. Chernick states that “This hearing may leave the Board in an awkward situation, with the Intervenors filing evidence based on their interpretation of MHs limited public

**MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION**

**MANITOBA HYDRO**

**INTERVENER EVIDENCE INFORMATION REQUESTS**

**GAC (RESOURCE INSIGHT)**

**NOVEMBER 8, 2017**

information, while the IEC develops quite different information, based on the ability to review and correct MH's analysis."

**Question:**

Please confirm that Mr. Chernick received a copy and is aware of Order 112/17 wherein the PUB determined that it would receive the requested information derived from or closely related to the electricity export price forecast in confidence pursuant to Rule 13(2).

Response:

Yes. Mr. Chernick's concern is that Manitoba Hydro has refused to provide marginal costs that can be released to the parties under normal confidentiality protections.

**MH/CHERNICK I - 3**

**Reference:**

Section IV, page 5 and 6

**Preamble:**

Mr. Chernick states on page 6, lines 12-13, in his Report that "the Company insists that rate design reflect marginal cost".

**Question:**

- a) Please confirm that Mr. Chernick has reviewed Manitoba Hydro's rate design position as outlined in Tab 9 of its Application.
- b) Please confirm that nowhere in its Application Manitoba Hydro insists that rate design reflect marginal cost.
- c) Please confirm that Mr. Chernick is aware that Manitoba Hydro has 6 rate-making objectives, of which efficiency (the need to provide appropriate price signals which may recognize the application of marginal cost considerations) is only one of the 6 rate making objectives.

**MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION**

**MANITOBA HYDRO**

**INTERVENER EVIDENCE INFORMATION REQUESTS**

**GAC (RESOURCE INSIGHT)**

**NOVEMBER 8, 2017**

**Response**

- a) Yes
- b) The quote on page 5 of Mr. Chernick’s testimony is from a Manitoba Hydro discovery response, not from the Application. The Application says “Efficiency – Manitoba Hydro views this goal in designing rates as the need to provide appropriate price signals regarding the value of energy and to promote the efficient and economic use of energy. The determination of an appropriate price signal may recognize the application of marginal cost considerations.” (Tab 9, p. 2) Those statements are consistent with Mr. Chernick’s paraphrase of Manitoba Hydro’s position. Not confirmed. To be clear, Manitoba Hydro did not use the verb “insist.”
- c) Yes.

**MH/CHERNICK I - 4**

**Reference:**

Section IV, pages 5, 29 and 38

**Preamble:**

At page 5, Mr. Chernick states “Marginal costs indicate the value of load reduction and the cost of load increases. Those values are important in the design of rates (e.g., using marginal costs to set the tail block of an inclining block rate or to rebalance GS rates between demand and energy charges).”

Table 3 (page 29) provides Mr. Chernick’s estimate of Total Residential Marginal Costs of 12.66 cents/kWh. Table 6 (page 38), provides a Non-LICO Residential Rate of 8.909 cents/kWh for the remainder of the energy (tail block).

**Question:**

If marginal costs are important in the design of rates and the setting of the tail block of the inclining rate, why does Mr. Chernick propose that the tail block for the Non-LICO

**MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION**

**MANITOBA HYDRO**

**INTERVENER EVIDENCE INFORMATION REQUESTS**

**GAC (RESOURCE INSIGHT)**

**NOVEMBER 8, 2017**

Residential Rate in Table 6 to be set at a level lower than the Total Residential Marginal Costs, as estimated by Mr. Chernick (12.66 cents/kWh)?

**Response:**

Mr. Chernick recognizes that there are other rate making objectives that should be taken into account in the design of rates, including avoidance of disruptive bill increases.

**MH/CHERNICK I - 5**

**Reference:**

Section IV, page 29

**Question:**

Please provide supporting calculations for the revised marginal distribution cost by class as shown in Table 3.

**Response:**

See Attachment PUB/GAC I-13.

**MH/CHERNICK I - 6**

**Reference:**

Section V. A. Table 6, pages 32 - 38

**Preamble:**

Summary of Chernick rate proposals, based upon August 1, 2017 rates.

**Question:**

- a) Please confirm that Mr. Chernick is proposing the following:

**MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION**

**MANITOBA HYDRO**

**INTERVENER EVIDENCE INFORMATION REQUESTS**

**GAC (RESOURCE INSIGHT)**

**NOVEMBER 8, 2017**

- i. A separate rate design for LICO 125 customers
  - ii. A separate rate design for LICO 125 customers, with electric space heat
  - iii. A separate rate design for non-LICO customers, with electric space heat
  - iv. A separate rate design for all other non-LICO residential customers
- b) If not confirmed, please clarify the rate design proposals being recommended.
- c) Under the rate designs proposed by Mr. Chernick, what would be the lost revenue associated with each of the above rate proposals, and the total lost revenue associated with all the rate proposals together?
- d) What would be the recovery rate and who would be responsible for making up the lost revenues?
- e) Please provide the recovery rate in a percentage of rate increase basis.

**Response:**

- a) Yes, or provisions within the residential tariff to effect the same result.
- b) See (a)
- c) Mr. Chernick proposes that Manitoba Hydro collect the same revenues with the revised rate designs, so there would be no lost revenues.
- d) See Mr. Chernick's testimony at 32-33 and 37 and the attachment provided in response to PUB/GAC I-14. The PUB could choose to compute and apply the recovery rate to differing groups, as discussed in Mr. Chernick's testimony.
- e) The percentage requested would depend on the rate increase allowed. Manitoba Hydro can compute the recovery rate as a percent of any desired rate increase.

**MH/CHERNICK I - 7**

**Reference:**

Section V, part A. pages 31 - 38

**Question:**

Please provide electronically in Excel all source data, including calculations, used to estimate the following:

**MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION**

**MANITOBA HYDRO**

**INTERVENER EVIDENCE INFORMATION REQUESTS**

**GAC (RESOURCE INSIGHT)**

**NOVEMBER 8, 2017**

- a) All bill savings amounts identified in lines 6 - 13 of page 32;
- b) All amounts, including the \$44.5 million and 0.8¢/kWh rate, identified in lines 20-23 of page 32;
- c) The 0.22¢/kWh rate, identified in line 2 of page 33;
- d) The usage numbers in Table 5 at page 36;
- e) All amounts, including the \$19.5 million, identified at page 36, lines 8 -12;
- f) All amounts, including the \$44.5 million and 0.12¢/kWh rate, identified at page 37, lines 11 – 14;
- g) All amounts identified in lines 1 – 11 of page 38;
- h) The proposed rates and the recovery rates in Table 8 at page 38.

**Response:**

See Attachment PUB/GAC I-14.

**MH/CHERNICK I - 8**

**Reference:**

Section V, part A. pages 31 - 38

**Preamble:**

At page 32 and 33, Mr. Chernick indicates that the lost revenues associated with the LICO 125 discount would be \$44.5 million, which if spread out over all non-LICO sales, would result in an increase in the energy rate of 0.22¢/kWh.

At page 36, Mr. Chernick indicates that the lost revenues associated with the heating discount to residential electric heat customers would be \$19.5 million. In Table 8, Mr. Chernick identifies a recovery rate of 0.12¢/kWh associated with the heating discount.

At page 37, lines 11-14, Mr. Chernick indicates that the lost revenue associated with the rate proposal for LICO 125 customers with electric space heat would be \$44.5 million, which if spread out over all non-LICO sales, would result in an increase in the energy rate of 0.12¢/kWh.

Table 8 does not identify a recovery rate for “LICO-125 ESH” rate proposal.

**MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION**

**MANITOBA HYDRO**

**INTERVENER EVIDENCE INFORMATION REQUESTS**

**GAC (RESOURCE INSIGHT)**

**NOVEMBER 8, 2017**

**Question:**

- a) Please confirm that the discount to a 125 LICO customer with electric space heat would result in lost revenues of \$44.5 million associated with the low-income discount, plus lost revenues (approximately \$19.5 million) associated with the heating discount, and not the \$44.5 million referenced in line 11 of page 37?
- b) Please provide the recovery rate associated with the “LICO 125 ESH” rate proposal (i.e. the rate for LICO 125 customers with electric space heat).
- c) Please provide the recovery rate in a “percentage rate increase” basis.
- d) Further to part c), please confirm that the percentage rate increase associated with the lost revenues of the LICO 125 ESH rate proposal will be over and above the proposed 7.95% rate increase in Manitoba Hydro’s Application.
- e) Please confirm that non-LICO customers would be responsible for the additional rate increase associated with the LICO 125 ESH rate proposal.

**Response:**

- a) The \$44.5 million was a typographical error. The intended value was \$19.5 million. The \$19.5 million would cover both LICO and non-LICO heating customers. Mr. Chernick does not understand the purpose of Manitoba Hydro’s adding these two separate (but overlapping) discounts.
- b) It is not clear what information is requested here. Mr. Chernick does not propose a separate LICO 125 ESH rate; that is the result of two rate provisions for customers who fall in both groups.
- c) Manitoba Hydro does not specify the rate for which it wishes this percentage to be computed. The computation is straightforward, and Manitoba Hydro can perform it for whatever rates it chooses.
- d) Not on a utility-wide level. Mr. Chernick does not propose a separate LICO 125 ESH rate; that is the result of two rate provisions for customers who fall in both groups. The recovery of each discount would be additional to any other rate changes, for the groups that the PUB decides will pay it (e.g., non-LICO).
- e) It is not clear what the term “responsible” means in this context. Mr. Chernick proposes that any reduction in revenues be recovered from other customers. The PUB could determine which classes are included in the cost recovery.

**MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION**

**MANITOBA HYDRO**

**INTERVENER EVIDENCE INFORMATION REQUESTS**

**GAC (RESOURCE INSIGHT)**

**NOVEMBER 8, 2017**

**MH/CHERNICK I - 9**

**Reference:**

Section V, part A. page 38

**Question:**

Please confirm that the 8.909¢/kWh figure in Table 6 at page 38 should be 8.921¢/kWh per line 11 of page 38.

**Response:**

Following some corrections and updates, Mr. Chernick finds that the correct value is 8.925¢/kWh.

**MH/CHERNICK I - 10**

**Reference:**

Section V, part C. Table 6, page 38

**Preamble:**

Summary of Chernick rate proposals, based upon August 1, 2017 rates.

**Question:**

- a) Please provide Proof of Revenue Statements for the rate proposals shown in Table 6. Please provide all source data, calculations and working papers used to derive the Proof of Revenue statements.
- b) Please provide Bill Impact Tables for each of the rate proposals shown in Table 6, in the same format as found in Figure 9, page 15 of Appendix 9.14. Please provide all source data, calculations and working papers used to derive the Bill Impact Tables.

**Response:**



**MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION**

**MANITOBA HYDRO**

**INTERVENER EVIDENCE INFORMATION REQUESTS**

**GAC (RESOURCE INSIGHT)**

**NOVEMBER 8, 2017**

- a) Mr. Chernick has not conducted this analysis. If he has the necessary data in spreadsheet format, he will attempt to provide it prior to the hearing.
- b) See Attachment MH/Chernick I-10.