

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

**MANITOBA HYDRO**

**INTERVENER EVIDENCE INFORMATION REQUESTS**

**COW (TYLER MARKOWSKY)**

**NOVEMBER 8, 2017**

**MH/MARKOWSKY I - 1**

**Reference:**

Page 1

**Question:**

Please provide:

- a) Mr. Markowsky's C.V. and current job description

**Response:**

See attached.

- b) If any other person(s) contributed to the preparation of the report, please provide his/her C.V. together with a description of the topics worked upon by each contributor;

**Response:**

Apart from City of Winnipeg Legal Services, no other individuals were involved in any substantive analysis or content of the report. The extent of involvement by Legal Services is privileged.

- c) A list of public reports or prior evidence provided or prepared in other regulatory proceedings by each contributor to the report.

**Response:**

I was involved in varying degrees as a contributor or drafter of many reports and interrogatories that were used during NFAT, and during other rate applications over the term of my employment at Manitoba Hydro.

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**MH/MARKOWSKY I - 2**

**Reference:**

Page 4 – 5

**Question:**

Please indicate the basis for not assuming any price elasticity in the calculation of direct electricity costs. Please recalculate direct electricity impacts and refile the Chart at page 5 assuming price elasticity of 0.29%.

**Response:**

A price response at the City of Winnipeg would be a choice between incurring incremental costs to reduce consumption and or a reduction of service. Therefore, given that a 0.29% elasticity scenario would need to be balanced by costs or service reduction, which may be larger than the offset in electricity consumption, which are in turn borne by citizens and business, the City of Winnipeg chose to produce a non-elasticity scenario for all direct, indirect and revenue cash flows.

**MH/MARKOWSKY I - 3**

**Reference:**

Estimation of Direct Cost, pages 4-5

**Preamble:**

Mr. Markowsky states that in 2009, the City of Winnipeg paid Manitoba Hydro billings, in aggregate, of \$22.5 million and in 2016, paid billings in aggregate of \$29 million.

**Question:**

- a) Please provide all source data, calculations and working papers to support the statement on page 5 that “Adjusting for past electricity price increases by

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Manitoba Hydro, this means real electricity consumption has been approximately 0.5% per year from 2009 to 2016.”

**Response:**

See attached spreadsheet titled “Financial Analysis of Hydro Rate Increase”.

- b) Please provide a breakdown of the amounts billed to the City of Winnipeg, as noted in the reference, between GSL, GSM, GSS and Area and Roadway Lighting classes.

**Response:**

This analysis is within the domain and ability of Manitoba Hydro.

- c) Please provide the total energy, in kWh’s, billed to the City of Winnipeg, in each of the years 2009 and 2016.

**Response:**

This analysis is within the domain and ability of Manitoba Hydro.

- d) Please provide the total billing demand, in kVA, billed to the City of Winnipeg, in each of the years 2009 and 2016.

**Response:**

This analysis is within the domain and ability of Manitoba Hydro.

**MH/MARKOWSKY I - 4**

**Reference:**

Chart: Direct Electricity Billings page 5

**Preamble:**

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Mr. Markowsky states, "The total increase in direct electrical costs over the period 2017 to 2038 amounts to: \$162,349,160."

**Question:**

Please provide:

- a) The supporting calculations for the data underpinning the two lines in the Direct Electricity Billings chart found on page 5.

**Response:**

See attached spreadsheet titled "Financial Analysis of Hydro Rate Increase".

- b) The calculation that supports the total increase over the period 2017 to 2038 of \$162,349,160.

**Response:**

See attached spreadsheet titled "Financial Analysis of Hydro Rate Increase".

**MH/MARKOWSKY I - 5**

**Reference:**

Chart: Indirect Electricity Costs page 7

**Preamble:**

Mr. Markowsky states, "The total increase in indirect costs over the period 2017 to 2038 amounts to: \$46,317,533."

**Question:**

Please provide:

- a) the supporting calculations for the data underpinning the two lines in the Indirect Electricity Billings chart found on page 7.

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See attached spreadsheet titled "Financial Analysis of Hydro Rate Increase".

- b) the calculation that supports the total increase over the period 2017 to 2038 of \$46,317,533.

**Response:**

See attached spreadsheet titled "Financial Analysis of Hydro Rate Increase".

**MH/MARKOWSKY I - 6**

**Reference:**

Electricity Tax Revenues to the City of Winnipeg, page 8.

**Question:**

Please provide the summary of electricity tax revenues collected by the City of Winnipeg in each of the years from 2009 to 2016. Please show the change in revenues as dollars in each year and percentage change for each of the years requested.

**Response:**

The summary can be found on page 8 of the City of Winnipeg report. Arithmetic to demonstrate absolute and percent change is within the ability of Manitoba Hydro.

**MH/MARKOWSKY I - 7**

**Reference:**

Page 10

**Preamble:**

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Mr. Markowsky states, "As previously noted the City has an unsustainable structural deficit in its operating budget. For the upcoming fiscal period of 2018, the operating budget deficit is \$89 million dollars. By 2022 (the last year of the five year period in which Manitoba Hydro seeks annual rate increases of 7.9%), the projected operating deficit is approximately \$207 million."

**Question:**

Is Mr. Markowsky suggesting that the City of Winnipeg's "unsustainable structural deficit" ought to be a consideration in the determination of just and reasonable rates and that Manitoba Hydro ratepayers ought to shoulder a portion of this deficit? If so, please identify the regulatory principles which Mr. Markowsky relies upon in support of this proposition.

**Response:**

No. Our study looked at the impact of a Manitoba Hydro rate increase on City finances. Our calculations demonstrate that it will have cost consequences of approximately \$51 million in net present value. In turn, this \$51 million will have an impact on citizens and business in Winnipeg.

**MH/MARKOWSKY I - 8**

**Reference:**

Page 11

**Question:**

Please file a copy of the referenced sections of the Conference Board of Canada's Metropolitan Outlook.

**Response:**

See attached.

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**MH/MARKOWSKY I - 9**

**Reference:**

Page 12

**Question:**

With respect to Mr. Markowsky's role in the December 2015 Financial Targets review, please confirm that Mr. Markowsky did not participate in producing the uncertainty analysis or drafting Manitoba Hydro's report (Appendix 4.2). If not confirmed, please identify those sections/topics of the Manitoba Hydro's Financial Targets Review report that Mr. Markowsky contributed to, the level of contribution and hours devoted to the section/topic.

**Response:**

Not confirmed. While employed at Manitoba Hydro I was a member of the Economic Analysis Department whose responsibility was economic forecasting of various major indicators, like interest rates, among other corporate duties. In the spirit of producing better forecasting products, over the term of my employment I was involved in developing and applying different measures of error and uncertainty to indicators, such as interest rates, GDP, inflation, and exchange rates. Given the overall departmental responsibility and my specialization, Financial Planning requested my involvement for interest rates. Financial Planning also utilized specialists for water flow assumptions.

While I did not write the 2015 Financial Target Review, nor did I run the AIRG or FINFOR models, I assisted with analysis of the key calibration criteria, and met with the Berkeley Research Group (BRG) on numerous occasions. While I do not want to estimate my effort in hours, which can't be verified with time tracking as it was not performed, an indicator of the degree of my involvement may be that I was asked to review the outcome of this report with Financial Planning and MPI upon a PUB directive.