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**2017/18 & 2018/19 ELECTRIC GENERAL RATE APPLICATION****Manitoba Hydro Undertaking #17**

**Manitoba Hydro to speak to the study of the studies re: meter maintenance subfunctionalizing of distribution poles and wires and distribution substations.**

**Response:****Order 164/16, Directive 1 (w)**

Order 164/16 directed Manitoba Hydro to update the allocators and weighting factors for Customer-related Distribution costs, including the weightings for meter investment and meter maintenance. The weightings for meter investment have been updated for PCOSS18, and are provided in Schedule 4.7 of Appendix 8.1 of this Application.

As discussed in Manitoba Hydro's response to PUB/MH I-142, PCOSS14 included a sub-function for meter maintenance operating costs related to the Meter Sampling, Exchange and Testing program. Under IFRS these costs are now capitalized as part of meter investment, and are allocated using the updated meter investment allocator in PCOSS18.

There has been no update to the meter maintenance allocator since it is no longer required or used in PCOSS18.

**Order 164/16, Directive 1 (ff)**

Order 164/16 noted the Coalition's concern that in PCOSS14 some Distribution common costs were sub-functionalized as Distribution Poles & Wires, while in other cases the costs were sub-functionalized as Distribution Substation (Order 164/16, page 89).

In response to these concerns the PUB directed that common costs within each function were to be allocated based on the cost-weighted average of all the allocators within each function. The revised methodology used in PCOSS18 is compliant with this direction.

Schedule 4.1 of Appendix 8.1 of this Application demonstrates how this has been accomplished in the cost of service study. In the schedule the common costs are tracked as a separate line item within each function. Prior to the allocation step, these costs are redistributed between the sub-functions in proportion to the total cost shares for each allocator.

The following illustrates how the \$48 million of common costs related to Distribution have been allocated in PCOSS18. In this example the cost of Distribution Substations is \$84

million, which is 31% of the total non-common Distribution costs. Therefore 31% of the \$48 million of Distribution common costs, or \$15 million, is sub-functionalized and allocated as part of Distribution Substation costs.

PCOSS18 Distribution Plant Allocation Table (\$ 000)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
				(a+b+c)	(d) excl common	(e) ÷ total (e)	(f) x common (d)	(d+g)
Sub Function	Interest	Depn	Oper	Total	Total Excluding Common	Relative Share Excluding Common	Sub- functionalization of Common Costs	Total
<b>Dist Common</b>	8,660	11,590	27,589	<b>47,839</b>				-
Dist Stations	38,927	19,115	26,457	84,499	<b>84,499</b>	<b>31%</b>	<b>14,723</b>	<b>99,222</b>
Dist Lines	72,685	34,244	40,359	147,288	147,288	54%	25,663	172,951
Dist S/E	16,528	9,952	5,764	32,244	32,244	12%	5,618	37,862
Dist Services	918	432	510	1,860	1,860	1%	324	2,184
Dist Meters	2,834	5,796	41	8,670	8,670	3%	1,511	10,181
Total	140,552	81,128	100,719	322,400	274,561			322,400

As directed, this approach has been used to sub-functionalize common costs within all functions in PCOSS18.